

**UNIVERSITY OF FLORIDA
INVESTMENT CORPORATION**

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
JUNE 30, 2023 AND 2022
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INDEPENDENT AUDITORS' REPORT

The Board of Directors,
University of Florida Investment Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise UFICO's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UFICO as of June 30, 2023 and 2022, 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.

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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UFICO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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

UFICO's 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 UFICO'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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 UFICO'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 UFICO's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on the following pages 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2023 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.



Gainesville, Florida
August 29, 2023

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2023 AND 2022**

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, 2023 with comparative information as of and for the fiscal years ended June 30, 2022 and 2021, 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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current assets	\$ 3,588,037	\$ 3,548,580	\$ 3,129,947
Long term assets	5,135,125	5,118,566	5,431,027
Total assets	<u>8,723,162</u>	<u>8,667,146</u>	<u>8,560,974</u>
Current liabilities	3,225,746	3,503,034	3,307,416
Long term liabilities	5,242,738	5,088,494	5,256,719
Total liabilities	<u>8,468,484</u>	<u>8,591,528</u>	<u>8,564,135</u>
Total net position	<u>\$ 254,678</u>	<u>\$ 75,618</u>	<u>\$ (3,161)</u>

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2023 AND 2022
(Continued)

Highlights

UFICO's total assets exceeded total liabilities as of June 30, 2023 and 2022 by \$254,678 and \$75,618, respectively. As of June 30, 2021, UFICO's total liabilities exceeded total assets resulting in a total net position of \$(3,161).

UFICO's total assets increased by \$56,016 or 0.65% in 2023. The biggest component of this change was an increase in cash and cash equivalents, which increased by \$230,328, mainly due to cash provided by operating activities. UFICO's total assets increased by \$106,172 or 1.2% in 2022. The biggest component of this change was increased billings.

In addition, total liabilities decreased by \$123,044 or 1.4% in 2023. The decrease was primarily attributable to accrued expenses related to lower incentive compensation as compared to the prior year. Total liabilities increased by \$27,393 or 0.3% in 2022.

At June 30, 2023, UFICO had \$3,938,749 in capital assets, less accumulated depreciation/amortization of \$662,970 for net capital assets of \$3,275,779. Depreciation/amortization charges for the current fiscal year totaled \$185,985. At June 30, 2022, UFICO had \$3,938,749 in capital assets, less accumulated depreciation/amortization of \$476,985 for net capital assets of \$3,461,764. Depreciation/amortization charges for the prior fiscal year totaled \$185,986.

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
(For the Fiscal Years ended)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Operating revenues			
Management fees, net	\$ 6,483,014	\$ 6,283,073	\$ 5,710,785
Total operating expenses	<u>(6,236,957)</u>	<u>(6,061,016)</u>	<u>(6,287,826)</u>
Operating income (loss)	246,057	222,057	(577,041)
Non-operating revenues (expenses)	(66,997)	(143,278)	(177,812)
Change in net position	<u>\$ 179,060</u>	<u>\$ 78,779</u>	<u>\$ (754,853)</u>

Highlights

The management fee revenue for 2023 increased \$199,941 or 3.2% over the prior year. The increase over the prior year was primarily attributable to increased billings in order to cover expenses. The management

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2023 AND 2022
(Continued)**

fee revenue for 2022 increased \$572,288 or 10.0% over 2021. The increase over 2022 was also due to increased billings in order to cover expenses.

Total operating expenses for 2023 increased by \$175,941 or 2.9% over the prior year. The increase primarily relates to the increase in salaries related to additional staff in the current year. Total operating expenses for 2022 decreased by \$226,810 or 3.6% over 2021. The decrease primarily relates to the decrease in deferred compensation for the year due to an employee leaving in 2022.

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
(For the Fiscal Years ended)**

	June 30, 2023	June 30, 2022	June 30, 2021
Cash provided by (used in):			
Operating activities	\$ 339,075	\$ 335,907	\$ 439,084
Capital and related financing activities	(186,844)	(182,287)	(174,853)
Investing activities	78,097	3,428	(2,959)
Net change in cash and cash equivalents	230,328	157,048	261,272
Cash and cash equivalents, beginning of year	2,399,482	2,242,434	1,981,162
Cash and cash equivalents, end of year	<u>\$ 2,629,810</u>	<u>\$ 2,399,482</u>	<u>\$ 2,242,434</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
800 SW 2nd Avenue, Suite 300
Gainesville, FL 32601
(352) 392-1693

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 2,629,810	\$ 2,399,482
Due from investment funds	208,706	197,436
Management fees receivable - current portion	553,445	755,586
Due from University of Florida	175,000	175,000
Prepaid expenses and other current assets	21,076	21,076
Total current assets	3,588,037	3,548,580
Capital assets, net	3,275,779	3,461,764
Management fees receivable, less current portion	1,409,136	1,296,859
Investments - deferred compensation - 457(b) plan	450,210	359,943
Total assets	8,723,162	8,667,146
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	2,624,001	2,880,698
Lease liability, current portion	48,300	41,750
Deferred compensation, current portion	553,445	580,586
Total current liabilities	3,225,746	3,503,034
Long-term liabilities		
Deferred compensation, less current portion	1,409,136	1,296,859
Lease liability, less current portion	3,383,392	3,431,692
Deferred compensation - 457(b) plan	450,210	359,943
Total long-term liabilities	5,242,738	5,088,494
Total liabilities	8,468,484	8,591,528
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	(155,913)	(11,678)
Unrestricted	410,591	87,296
Total net position	\$ 254,678	\$ 75,618

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Management fees, net	\$ 6,483,014	\$ 6,283,073
Total operating revenues	<u>6,483,014</u>	<u>6,283,073</u>
Operating expenses		
Salaries, benefits and payroll taxes	5,736,402	5,612,773
Services purchased	7,500	7,500
Travel	67,213	21,016
General operating	425,842	419,727
Total operating expenses	<u>6,236,957</u>	<u>6,061,016</u>
Operating income	<u>246,057</u>	<u>222,057</u>
Non-operating revenues (expenses)		
Interest income	78,097	3,428
Interest expense on lease obligations	<u>(145,094)</u>	<u>(146,706)</u>
Total non-operating expenses	<u>(66,997)</u>	<u>(143,278)</u>
Change in net position	<u>179,060</u>	<u>78,779</u>
Net position, beginning of year	75,618	(3,161)
Net position, end of year	<u>\$ 254,678</u>	<u>\$ 75,618</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, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Cash received from management fees	\$ 6,572,879	\$ 6,122,931
Cash paid to vendors	(297,727)	(266,134)
Cash paid to employees	(5,936,077)	(5,520,890)
Net cash provided by operating activities	339,075	335,907
Cash flows from investing activities		
Interest income	78,097	3,428
Net cash provided by investing activities	78,097	3,428
Cash flows from capital and related financing activities		
Interest paid on lease obligations	(145,094)	(146,706)
Lease principal payments	(41,750)	(35,581)
Net cash used in capital and related financing activities	(186,844)	(182,287)
Net increase in cash and cash equivalents	230,328	157,048
Cash and cash equivalents, beginning of year	2,399,482	2,242,434
Cash and cash equivalents, end of year	\$ 2,629,810	\$ 2,399,482
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 246,057	\$ 222,057
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	185,985	185,986
Changes in assets and liabilities:		
Due from investment funds	(11,270)	2,314
Management fees receivable	89,864	(160,142)
Prepaid expenses and other current assets	-	(1,344)
Accounts payable and accrued expenses	(256,697)	101,894
Deferred compensation payable	85,136	(14,858)
Total adjustments	93,018	113,850
Net cash provided by operating activities	\$ 339,075	\$ 335,907

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, 2023 AND 2022

(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, 2023 and 2022.

(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.

Net position is comprised of net investment in capital assets and unrestricted net position, 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.

(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

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

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, 2023 and 2022, 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) **Capital assets**—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. Right of use lease assets are included in capital assets and amortized over the shorter of the lease term or useful life of the asset. Depreciation and amortization expense was \$185,985 and \$185,986 for the years ended June 30, 2023 and 2022, 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, including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any debt and lease liabilities that are 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, 2023 and 2022.

(j) **Reclassifications**—Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on net position.

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(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 0.14% and 0.13% of assets under management for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022. Included in accounts payable and accrued expenses at June 30, 2023 and 2022, is \$353,939 and \$325,822, 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, 2023 and 2022, is \$208,706 and \$197,436, 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. The agreement with the University of Florida Athletic Association ended in April 2023. Information regarding management fees receivable and investment balances at June 30 is as follows:

	Management Fees		Investment Balance	
	Receivable		(In Millions)	
	2023	2022	2023	2022
University of Florida Foundation	\$ 1,161,564	\$ 1,258,089	\$ 3,146	\$ 2,280
University of Florida	336,100	321,189	1,460	1,356
University of Florida Athletic Association	-	-	-	6
Shands Teaching Hospital & Clinics	422,001	456,906	949	842
UF Health Central Florida	42,916	16,261	197	198

The management fees receivable above are presented on a gross basis. There were no rebates payable to investors as of June 30, 2023 and 2022.

The management fees receivable is also 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, 2023 and 2022. 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, 2023 AND 2022

(4) Cash and Cash Equivalents:

UFICO maintains an operating cash account with a national bank with a bank balance of \$523,830 and \$66,598 at June 30, 2023 and 2022, respectively. This account is federally insured up to FDIC limits.

UFICO also maintains a money market account with a bank balance of \$2,106,152 and \$2,237,593 at June 30, 2023 and 2022, respectively. This account is not insured by the FDIC.

(5) Capital Assets:

Capital asset balances and activity for the fiscal years ended June 30, 2023 and 2022, are summarized as follows:

Fiscal year ended June 30, 2023	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Capital assets					
Equipment	\$ 144,341	\$ -	\$ -	\$ -	\$ 144,341
Leasehold improvements	258,588	-	-	-	258,588
Leased assets	<u>3,535,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,535,820</u>
Total capital assets	<u>3,938,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,938,749</u>
Less: Accumulated depreciation/amortization					
Equipment	111,748	-	16,296	-	128,044
Leasehold improvements	77,577	-	25,859	-	103,436
Leased assets	287,660	-	143,830	-	431,490
Total accumulated depreciation/amortization	<u>476,985</u>	<u>-</u>	<u>185,985</u>	<u>-</u>	<u>662,970</u>
Total capital assets, net	<u>\$ 3,461,764</u>	<u>\$ -</u>	<u>\$ (185,985)</u>	<u>\$ -</u>	<u>\$ 3,275,779</u>
Fiscal year ended June 30, 2022	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Capital assets					
Equipment	\$ 144,341	\$ -	\$ -	\$ -	\$ 144,341
Leasehold improvements	258,588	-	-	-	258,588
Leased assets	<u>3,535,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,535,820</u>
Total capital assets	<u>3,938,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,938,749</u>
Less: Accumulated depreciation/amortization					
Equipment	95,451	-	16,297	-	111,748
Leasehold improvements	51,718	-	25,859	-	77,577
Leased assets	143,830	-	143,830	-	287,660
Total accumulated depreciation/amortization	<u>290,999</u>	<u>-</u>	<u>185,986</u>	<u>-</u>	<u>476,985</u>
Total capital assets, net	<u>\$ 3,647,750</u>	<u>\$ -</u>	<u>\$ (185,986)</u>	<u>\$ -</u>	<u>\$ 3,461,764</u>

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(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 2023 and 2022, 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, 2023 and 2022, \$1,962,581 and \$1,877,445 in bonuses and related fringe benefits, respectively, have been accrued under this plan.

(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, 2023 and 2022, UFICO contributed \$246,826 and \$239,773, 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, 2023 and 2022.

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.

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(8) **Investments and Fair Value Measurements:** (Continued)

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 \$450,210 and \$359,943 as of June 30, 2023 and 2022, respectively, are recorded in UFICO's financial statements at fair value. Plan assets are invested in various equity and fixed income mutual funds, all 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.

(9) **Leases:**

UFICO has a lease for office space effective July 2019. The initial term expires January 31, 2030 with three five-year extensions. Management has determined that extensions to the lease terms will likely be executed and have been included in the lease term. The leased asset has been discounted at a rate of 4.2%. Monthly payments for the years ended June 30, 2023 and 2022 range from \$14,850 to \$15,602. As of June 30, 2023 and 2022, assets recorded under leases were \$3,535,820, and accumulated amortization associated with leases was \$431,490 and \$287,660, respectively. Future maturities of lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2024	\$ 48,300	\$ 143,216	\$ 191,516
2025	55,249	141,055	196,304
2026	62,617	138,594	201,211
2027	70,427	135,815	206,242
2028	78,698	132,699	211,397
2029-2033	547,296	602,709	1,150,005
2034-2038	846,634	458,061	1,304,695
2039-2043	1,234,084	242,060	1,476,144
2044-2045	488,387	17,369	505,756
Total	<u>\$ 3,431,692</u>	<u>\$ 2,011,578</u>	<u>\$ 5,443,270</u>

**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, 2023, and the related notes to the financial statements, which collectively comprise UFICO's basic financial statements, and have issued our report thereon dated August 29, 2023.

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.

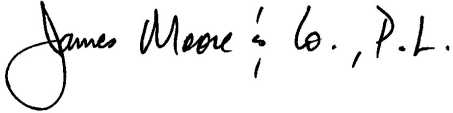
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

James Moore & Co., P.L.

Gainesville, Florida
August 29, 2023