

**SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.**

**Annual Financial Report**

**June 30, 2019**

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.

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June 30, 2019

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Southwest Florida Research and  
Education Foundation, Inc.  
Immokalee, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Southwest Florida Research and Education Foundation, Inc., as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Southwest Florida Research and Education Foundation, Inc.'s basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Southwest Florida Research and Education Foundation, Inc., as of June 30, 2019, and the respective changes in financial position thereof for the year 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 3-7 and budgetary comparison information on pages 24-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of Southwest Florida Research and Education Foundation, Inc.'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 the effectiveness of Southwest Florida Research and Education Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Florida Research and Education Foundation, Inc.'s internal control over financial reporting and compliance.

*Bay, Miller, Kieker & Perry, P.A.*

Clewiston, Florida  
November 4, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Southwest Florida Research and Education Foundation, Inc. (Foundation) provides a narrative overview of the Foundation's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Foundation's Independent Auditor's Report, basic financial statements, accompanying notes, and supplementary information to the basic financial statements.

The Foundation is governed by a nine member Board of Directors. The Board members are elected by the membership of the Foundation for three year terms. The CEO is appointed by the Foundation's Board of Directors with no specified time limit. The administration of the Foundation's operation is under the control of the Board of Directors.

### **FINANCIAL AND FOUNDATION HIGHLIGHTS**

#### Financial Highlights

- The assets of the Foundation exceeded its liabilities at the end of the fiscal year ended June 30, 2019, by \$88,473. Of this amount, \$72,437 (unrestricted net position) may be used to meet the Foundation's ongoing operations.
- The Foundation's total net position decreased by \$82,386.
- The Foundation's total revenue (on an accrual basis) was \$166,616 for the year ended June 30, 2019.
- Total expenses (on an accrual basis) for all of the Foundation's activities were \$249,002 for the year.

#### Foundation Highlights

- As the direct support organization for the Southwest Florida Research and Education Center, the Foundation has spearheaded fundraising efforts for the construction of an additional student dormitory which is expected to house eight students.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Foundation's financial statements. The Foundation's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Foundation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Foundation's assets and liabilities with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

## **OVERVIEW OF FINANCIAL STATEMENTS (continued)**

### Government-Wide Financial Statements (continued)

The statement of activities presents information showing how the Foundation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by general revenues. The Foundation does not have any business-type activities. The governmental activities of the Foundation are classified as physical environment.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Foundation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Foundation has one fund category: governmental funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Foundation's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Foundation's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. (See pages 11 and 13)

The Foundation maintains one governmental fund for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund.

The Foundation adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget. (See page 24)

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Assets exceeded liabilities by \$88,473 for the fiscal year ended June 30, 2019. The largest assets include cash and capital assets which are approximately 80% and 18% of the Foundation's total assets, respectively.

The Foundation uses capital assets to conduct its operations. Therefore these assets are not available for future spending. The remaining unrestricted net position, \$72,437, may be used to meet the Foundation's ongoing operations.

The following table highlights the net position as of June 30, 2019, and 2018:

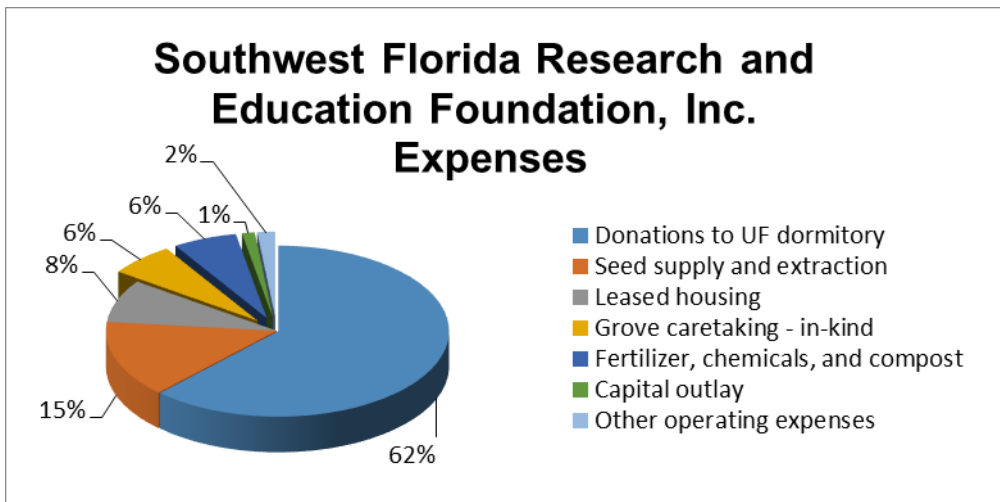
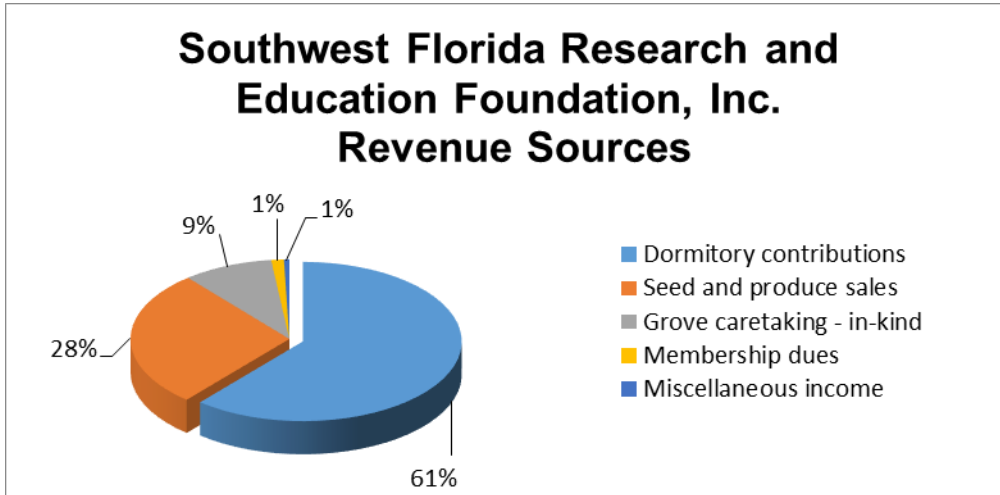
	<u>2019</u>	<u>2018</u>
Cash	\$ 71,940	\$ 153,648
Security deposits	2,000	-
Capital assets	<u>16,036</u>	<u>20,451</u>
Total assets	<u>89,976</u>	<u>174,099</u>
Current liabilities	<u>1,503</u>	<u>3,240</u>
Total liabilities	<u>1,503</u>	<u>3,240</u>
Net position		
Invested in capital assets, net of related debt	16,036	20,451
Unrestricted	<u>72,437</u>	<u>150,408</u>
Total net position	<u>\$ 88,473</u>	<u>\$ 170,859</u>

The following table highlights the changes in net position for the fiscal years ended June 30, 2019, and 2018:

	<u>2019</u>	<u>2018</u>
Revenues		
General revenues	<u>\$ 166,616</u>	<u>\$ 72,357</u>
Total revenues	<u>166,616</u>	<u>72,357</u>
Program expenses		
Physical environment	<u>249,002</u>	<u>48,043</u>
Total expenses	<u>249,002</u>	<u>48,043</u>
Increase (decrease) in net position	(82,386)	24,314
Net position, beginning of year	<u>170,859</u>	<u>146,545</u>
Net position, end of year	<u>\$ 88,473</u>	<u>\$ 170,859</u>

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The following graphs represent the sources of revenues and expenses for the fiscal year:



**BUDGETARY HIGHLIGHTS**

The Foundation adopted the fiscal year 2018/2019 budget on October 23, 2018. Total revenue budgeted for the fiscal year ended June 30, 2019, was \$94,300. Total expenditures budgeted were \$117,205.

Total actual revenues were \$72,316 over budgeted revenue. This was mainly due to the following:

- Contributions received for the UF dormitory project were \$67,135 more than expected.

Total actual expenditures were \$127,382 over budgeted expenditures. This was mainly due to the following:

- Donations to the UF dormitory project were \$114,985 more than expected.

Additional budget comparison information is presented on page 24.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

The Foundation's investment in capital assets for its governmental activities as of June 30, 2019, was \$16,036 (net of accumulated depreciation). Capital additions totaled \$2,957 during 2019.

The following table summarizes the Foundation's capital assets for the fiscal years ended June 30, 2019, and 2018:

	<u>2019</u>	<u>2018</u>
Grove and windbreak	\$ 17,069	\$ 17,069
Buildings and components	164,340	164,340
Machinery and equipment	26,026	26,026
Rental home furniture and appliances	2,957	-
Accumulated depreciation	<u>(194,356)</u>	<u>(186,984)</u>
Total capital assets, June 30,	<u>\$ 16,036</u>	<u>\$ 20,451</u>

### Debt Administration

The following table presents the Foundation's total outstanding debt for the fiscal years ended June 30, 2019, and 2018:

	<u>2019</u>	<u>2018</u>
Accounts payable	<u>\$ 1,503</u>	<u>\$ 3,240</u>
Total outstanding debt, June 30,	<u>\$ 1,503</u>	<u>\$ 3,240</u>

## **CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our readers with a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelly T. Morgan, the Foundation's CEO, 2685 State Road 29 North, Immokalee, Florida 34142, Telephone No. (239) 658-3413.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Statement of Net Position  
June 30, 2019

Assets	
Cash	\$ 71,940
Security deposits	2,000
Capital assets, net of accumulated depreciation	<u>16,036</u>
Total assets	<u>89,976</u>
Liabilities	
Accounts payable	<u>1,503</u>
Total liabilities	<u>1,503</u>
Net position	
Invested in capital assets, net of related debt	16,036
Unrestricted	<u>72,437</u>
Total net position	<u><u>\$ 88,473</u></u>

See notes to the financial statements.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Statement of Activities  
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Expenses</u>	<u>Program Revenues Public Support and Produce Sales</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Governmental Activities</u>
Governmental activities			
Physical environment	<u>\$ 249,002</u>	<u>\$ 166,616</u>	\$ (82,386)
Total governmental activities	<u>\$ 249,002</u>	<u>\$ 166,616</u>	<u>(82,386)</u>
			Change in net position (82,386)
			Net position - beginning of year <u>170,859</u>
			Net position - end of year <u>\$ 88,473</u>

See notes to the financial statements.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Balance Sheet  
June 30, 2019

	General Fund
Assets	
Cash	\$ 71,940
Security deposits	2,000
Total assets	\$ 73,940
Liabilities and fund balance	
Accounts payable	\$ 1,503
Total liabilities	1,503
Fund balance	
Nonspendable	2,000
Unassigned	70,437
Total fund balance	72,437
Total liabilities and fund balance	\$ 73,940

See notes to the financial statements.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2019

Fund balance - governmental funds		\$ 72,437
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	\$ 210,392		
Accumulated depreciation	<u>(194,356)</u>		
			<u>16,036</u>

Net position of governmental activities		<u>\$ 88,473</u>
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See notes to the financial statements.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2019

	General Fund
Revenues	
Dormitory contributions	\$ 101,935
Seed sales	30,455
Fruit and vegetable sales	15,843
Grove caretaking - in-kind	15,310
Membership dues	2,150
House rent	913
Miscellaneous income	10
Total revenues	166,616
Expenditures	
Physical environment	
Donations to UF dormitory	151,990
Seed supply and extraction	35,545
Leased housing	19,800
Grove caretaking - in-kind	15,310
Fertilizer, chemicals, and compost	14,852
Capital outlay	2,957
Utilities	1,824
Professional services	1,025
Insurance	923
Licenses and taxes	361
Total expenditures	244,587
Excess of revenues under expenditures	(77,971)
Fund balance - beginning of year	150,408
Fund balance - end of year	\$ 72,437

See notes to the financial statements.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2019

Net change in fund balance - total governmental funds \$ (77,971)

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as  
expenditures. However, in the Statement  
of Activities, the cost of those assets is allocated  
over their estimated useful lives and reported  
as depreciation expense. This is the amount by  
which depreciation expense in the Statement of  
Activities exceeded capital outlays in the  
governmental funds in the current period.

(4,415)

Change in net position of governmental activities

\$ (82,386)

See notes to the financial statements.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

The accounting methods and procedures adopted by Southwest Florida Research and Education Foundation, Inc. conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Foundation's Annual Financial Report.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Southwest Florida Research and Education Foundation, Inc. (the Foundation) was organized in 1991 as a Florida non-profit corporation without capital stock under the provisions of Chapter 617 of the Florida Statutes. The Foundation has been certified as a direct support organization of the University of Florida.

The Foundation provides support for citrus research and educational activities to a state university as well as the Southwest Florida Research and Education Center.

**Financial Reporting Entity**

The Board has the responsibility for:

1. Setting prices for products and dues.
2. Approving budgets.
3. Controlling the use of funds generated by the Foundation.
4. Exercising control over facilities and properties.
5. Approving the hiring and firing of key personnel.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (GASB) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Foundation is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the Foundation are such that, if excluded, the financial statements of the Foundation would be considered incomplete or misleading. There are no entities considered to be component units of the Foundation: therefore, the financial statements include only the operations of the Foundation.

**FASB to GASB Conversion**

Florida Senate Bill 4 was signed into law on March 11, 2018. One of the consequences of this new law is that all University of Florida direct-support organizations that previously reported under FASB standards must now convert to GASB standards.

The Foundation converted to GASB standards for the fiscal year ended June 30, 2019. No prior period adjustments to the governmental activities statement or fund statement were required to make this conversion.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Government-Wide Statements

The Foundation's basic financial statements include both government-wide (reporting the Foundation as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Foundation's drainage activities and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Foundation's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Foundation first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of the Foundation's functions and activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues (assessments), operating and capital grants. Program revenues must be directly associated with the Foundation's functions and activities.

This government-wide focus is more on the sustainability of the Foundation as an entity and the change in the Foundation's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Foundation are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflow of resources, liabilities, deferred inflow of resources, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund, the only fund of the Foundation, is a governmental fund and is considered a major fund in these financial statements.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following fund types are used by the Foundation:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Foundation:

General Fund

The General Fund is the general operating fund of the Foundation. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The governmental activities in the government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Deposits and Investments

For financial reporting purposes, the Foundation considers cash and cash equivalents to be cash on hand, cash in banks, certificates of deposit, regardless of maturity, and short-term investments with maturities less than three months when acquired.

Foundation investments with a maturity of one year or less when purchased are stated at cost or amortized cost. Foundation investments with a maturity greater than one year are stated at fair value in accordance with GASB Statement No. 31.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments (continued)

The Foundation does not have an adopted investment policy since it follows Florida Statute 218.45 for investment decisions. Florida Statutes authorize investments that include money market accounts, savings accounts and certificates of deposit at banks certified as qualified public depositories by the State of Florida, repurchase agreements, Florida PRIME, obligations of the U.S. Government, and certain bond mutual funds.

The Foundation follows state statutes for allowable investments. However, state statutes do not specifically address the risks disclosed in GASB No. 40. No policy exists for the following risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Deposits consist of a noninterest-bearing bank account at a financial institution that qualifies as a public depository. These funds are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Securities for Public Deposits Act (Florida Statutes 280). There are not amounts that are considered investments as of June 30, 2019.

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Grove and windbreak	30 years
Machinery and equipment	7 years
Buildings and components	3-10 years
Rental home furniture and appliances	7 years

GASB Statement No. 34 requires the Foundation to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, canals, and pumping stations. No assets of this type are owned by the Foundation as of June 30, 2019.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Balance

Government-Wide Net Position

Government-Wide net position is divided into three categories:

- Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.
- Restricted - consist of amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.
- Unrestricted - all other net position is reported in this category.

Governmental Fund Balances

Governmental fund balances consist of the following:

- Non-spendable - amounts that are not in spendable form (such as prepaid expenses, or long term investments) or are required to be maintained intact.
- Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed - amounts constrained to specific purposes by the Foundation itself, using its highest level of decision-making authority (i.e. Board members) and its highest level action (i.e. Resolution). To be reported as committed, amounts cannot be used for any other purpose unless the Foundation takes the same highest level action to remove or change the constraint.
- Assigned - amounts the Foundation intends to use for a specific purpose. Intent can be expressed by the Board of Directors.
- Unassigned - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Foundation to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Foundation that committed amounts would be reduced first, followed by assigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Substantially all governmental fund revenues are accrued. Assessments are billed and collected within the same period in which the taxes are levied. Subsidies and grants which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported for governmental activities in the period the inventory items are used, rather than in the period purchased.

Capitalization Policy

The capitalization policy of the Foundation is to capitalize all assets with a cost of \$750 or more with an expected life of two years or more.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Use of Estimates

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through November 4, 2019, the date on which the financial statements were available to be issued.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The Foundation follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Executive Officer submits to the Board of Directors a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The proposed budget is reviewed by the officers of the Board of Directors. Suggested changes are made during this initial review. Subsequently, an annual meeting is held for all members of the Foundation, at which time the budget is approved.
3. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
4. Total budgeted amounts reflect all amendments approved by the Board of Directors. Line item changes made during the year were approved by the Board of Directors.

Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed in the Foundation's accounting system.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for the fiscal years ended 2016, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

New Accounting Principle

Effective June 30, 2019, the Foundation adopted the provisions of Governmental Accounting Standards Board Statement No. 75 "*Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (OPEB)*" (Statement No. 75). This accounting standard requires the Foundation to report its actuarially determined net OPEB liability, which was determined to be zero, in the government-wide financial statements of the Foundation as of June 30, 2019.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.

Notes to Financial Statements

June 30, 2019

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

Cash

At year end, the Foundation's cash consisted of funds in a non-interest bearing bank account in a financial institution which has been designated a qualified public depository. The non-interest bearing bank account totaled \$71,940 at June 30, 2019.

Deposits in Banks

At June 30, 2019, the carrying amount of the Foundation's noninterest-bearing bank account was \$71,940 and the bank's balance was \$88,273. The difference was due to a check that had been written but not yet paid by the bank.

These deposits are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Under this Act, financial institutions that qualify as public depositories pledge securities that have a market value equal to 50% - 125% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Depository Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made with Chapter 280, no public depositor shall be liable for any loss thereof.

Investments

Due to the Foundation's use of a short-term noninterest-bearing bank account in a financial institution that is covered by federal depository insurance or collateral pledged under Florida Statutes Chapter 280, it is considered that credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk are nominal or nonexistent in regards to this account.

During the year, no funds were held in interest-bearing bank accounts or other instruments that would be considered investments.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Grove and windbreak	\$ 17,069	\$ -	\$ -	\$ 17,069
Buildings and components	164,340	-	-	164,340
Machinery and equipment	26,026	-	-	26,026
Rental home furniture and appliances	-	2,957	-	2,957
	<u>207,435</u>	<u>2,957</u>	<u>-</u>	<u>210,392</u>
Less accumulated depreciation	<u>186,984</u>	<u>7,372</u>	<u>-</u>	<u>194,356</u>
	<u>\$ 20,451</u>	<u>\$ (4,415)</u>	<u>\$ -</u>	<u>\$ 16,036</u>

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.

Notes to Financial Statements

June 30, 2019

NOTE 4 - FUND BALANCE/NET POSITION

Classifications of the fund balance and restrictions of the net position of the Foundation are created to either (1) satisfy intentions that require a portion of the fund balance/net position be segregated, or (2) identify the portion of the fund balance/net position that is not appropriate for future expenditures. A specific classification of the fund balance is as follows:

Nonspendable Fund Balance

This classification was created to represent the portion of the fund balance that is not available for current expenditure because the amount is not in spendable form. This amount is represented by security deposits.

NOTE 5 - LEASES

Land

The Foundation conducts its operations on approximately 100 acres of land under a sub-lease agreement with the University of Florida, Board of Trustees. The sub-lease is for a period of ten years with automatic renewals for successive ten year periods up to a maximum of fifty years. The rent for the use of the property is ten dollars per ten year period.

The Foundation must limit its use of the property to those activities relating to or incidental to the development and provision of quality propagation material for the Florida citrus industry and to the provision of research and educational program support of the Southwest Florida Research and Education Center. The lease may be terminated by either party with 180 days written notice.

Rental House

The Foundation leased a residential home as temporary rental housing for some students while the University of Florida constructs an additional dormitory. The lease was for a year beginning August 1, 2018, and ending July 31, 2019, with total rent paid for the year of \$19,800. The lease was extended beginning August 1, 2019, and ending July 31, 2020, with monthly payments of \$1,900. The Foundation collected \$913 of rent income from the students during the year ended June 30, 2019.

NOTE 6 - GROVE CARETAKING - IN-KIND

The Foundation receives donated chemicals, fertilizer, and grove caretaking services from members of the citrus industry. The value of the donated services and supplies was estimated to be \$15,310 for the year, and is reported as *grove caretaking - in-kind* in these financial statements.

NOTE 7 - RISK MANAGEMENT

The Foundation could be exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and errors and omissions. The Foundation has no insurance to cover these matters except for the citrus tree insurance which they do not plan to continue.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2019

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 4, 2019, which is the date the financial statements were available to be issued to the Foundation.

NOTE 9 - OVER EXPENDITURES

At June 30, 2019, the following items had expenditures exceeding their budgeted amounts.

Donations to UF dormitory	\$114,985
Seed supply and extraction	9,545
Grove caretaking - in-kind	15,310
Capital outlay	2,957
Utilities	1,824
Insurance	923
Licenses and taxes	361

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Required Supplementary Information  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual - General Fund  
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Dormitory contributions	\$ 34,800	\$ 101,935	\$ 67,135
Seed and produce sales	54,500	46,298	(8,202)
Grove caretaking - in-kind	-	15,310	15,310
Membership dues	-	2,150	2,150
Miscellaneous income	-	923	923
Donations and contributions	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenues	<u>94,300</u>	<u>166,616</u>	<u>72,316</u>
Expenditures			
Physical environment			
Donations to UF dormitory	37,005	151,990	(114,985)
Seed supply and extraction	26,000	35,545	(9,545)
Leased housing	21,400	19,800	1,600
Grove caretaking - in-kind	-	15,310	(15,310)
Fertilizer, chemicals, and compost	20,000	14,852	5,148
Capital outlay	-	2,957	(2,957)
Utilities	-	1,824	(1,824)
Professional services	1,800	1,025	775
Insurance	-	923	(923)
Licenses and taxes	-	361	(361)
Laser land leveling	6,000	-	6,000
Repairs and maintenance	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>117,205</u>	<u>244,587</u>	<u>(127,382)</u>
Excess of revenues under expenditures	<u>\$ (22,905)</u>	<u>(77,971)</u>	<u>\$ (55,066)</u>
Fund balance, beginning of year		<u>150,408</u>	
Fund balance, end of year		<u>\$ 72,437</u>	

See notes to required supplementary information.

SOUTHWEST FLORIDA RESEARCH AND  
EDUCATION FOUNDATION, INC.  
Notes to Required Supplementary Information  
June 30, 2019

NOTE A - BUDGETARY ACCOUNTING

The Foundation is required to establish a budgetary system and an approved Annual Budget for the General Fund. The Foundation's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

NOTE B - OVER EXPENDITURES

At June 30, 2019, the following items had expenditures exceeding their budgeted amounts.

Donations to UF dormitory	\$114,985
Seed supply and extraction	9,545
Grove caretaking - in-kind	15,310
Capital outlay	2,957
Utilities	1,824
Insurance	923
Licenses and taxes	361

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

Board of Directors  
Southwest Florida Research and  
Education Foundation, Inc.  
Immokalee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Southwest Florida Research and Education Foundation, Inc., as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Southwest Florida Research and Education Foundation, Inc.'s basic financial statements, and have issued our report thereon dated November 4, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southwest Florida Research and Education Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Florida Research and Education Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Florida Research and Education Foundation, Inc.'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 Southwest Florida Research and Education Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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.

*Bay, Miller, Kisher & Perry, P.A.*

Clewiston, Florida  
November 4, 2019

**BOY, MILLER, KISKER & PERRY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON  
COMPLIANCE WITH THE REQUIREMENTS  
OF SECTION 218.415, FLORIDA STATUTES

Board of Directors  
Southwest Florida Research and  
Education Foundation, Inc.  
Immokalee, Florida

We have examined Southwest Florida Research and Education Foundation, Inc.'s compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10)(a) of the Auditor General of the State of Florida during the fiscal year ended June 30, 2019. Management is responsible for Southwest Florida Research and Education Foundation, Inc.'s compliance with those requirements. Our responsibility is to express an opinion on Southwest Florida Research and Education Foundation, Inc.'s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Southwest Florida Research and Education Foundation, Inc. complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Southwest Florida Research and Education Foundation, Inc. complied with the specific requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risk of noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Southwest Florida Research and Education Foundation, Inc.'s compliance with specified requirements.

In our opinion, Southwest Florida Research and Education Foundation, Inc. complied, in all material respects, with Section 218.415, Florida Statutes for the fiscal year ended June 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Directors of Southwest Florida Research and Education Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*Boy, Miller, Kisker & Perry, P.A.*  
Clewiston, Florida  
November 4, 2019