

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FLORIDA VETERINARY MEDICINE FACULTY
ASSOCIATION, INC.
GAINESVILLE, FLORIDA**

JUNE 30, 2018

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FLORIDA VETERINARY MEDICINE FACULTY
ASSOCIATION, INC.
GAINESVILLE, FLORIDA**

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Florida Veterinary Medicine Faculty Association, Inc.
Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying statements of net position of the Florida Veterinary Medicine Faculty Association, Inc. (the Association), a component unit of the University of Florida, as of June 30, 2018 and 2017, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Audit Committee
Florida Veterinary Medicine Faculty Association, Inc.
Gainesville, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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 audits 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 16, 2018, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the Association's internal control over financial reporting and compliance.


August 16, 2018
Gainesville, Florida

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)

This section of the Florida Veterinary Medicine Faculty Association, Inc. (the Association) presents management's discussion and analysis of the Association's financial performance during the fiscal year (FY), which ended June 30, 2018. The discussion and analysis of the Association's financial statements provides an overview of its financial activities for the year, which ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes. The financial statements, footnotes, and this discussion and analysis are the responsibility of management.

While maintaining financial health is crucial to the long-term viability of the Association, the primary mission of the Association is to bill and collect clinical professional services to fund the educational, clinical, charitable, and scientific missions of the College of Veterinary Medicine of the University of Florida. Therefore, net position is held only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs of the College of Veterinary Medicine.

FINANCIAL HIGHLIGHTS

By agreement with the University of Florida (UF), the Association handles all of the billing and accounts receivable related to the UF Veterinary Hospitals (UFVH, the Hospital, which include Ocala PETS) operations as a convenience to our clients and to simplify the medical records and accounting infrastructure necessary to efficiently process client-related transactions. However, only the portion of fees related to professional services belongs to the Association as revenue. All nonprofessional fees (i.e., hospitalization, use of surgery suites, medical supplies, etc.) belong to UF as revenue. The Association deposits all UF revenues into the UF Operations and Maintenance Fund (O&M) via a component unit transfer. The Association makes additional donations as needed, primarily to the O&M, to fully fund UFVH operations.

Overall, the Association had a \$6,452,489 decrease in net position in FY 2018. This is a net decrease of \$6,453,828 from the prior year change in net position due to an increase in total transfers of \$8,585,703 or 83.5% and an increase in expenditures. The large transfer total is partially to fund the Small Animal Hospital addition. There was a \$2,195,888 or 20.2% increase in Operating Revenue and a 10.9% increase in operating expenses from the prior year. This is due to increased banking fees from increased revenue based on caseload and a higher provision for doubtful accounts due to an inefficient third-party collections agency that will no longer be utilized in FY 2019.

During FY 2018, the Hospital hired new faculty and staff and implemented a 3% fee increase in July 2017. The Small Animal Hospital and the Ocala clinic saw an increase in caseload. Overall, the Association saw 1,780 more in caseload than in FY 2017.

USING THIS ANNUAL REPORT

This annual report consists of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The Association follows the accounting principles generally accepted in the United States of America in preparation of its financial statements. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)

FINANCIAL ANALYSIS OF THE FVMFA

Assets

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Cash and Cash Equivalents	\$ 2,547,408	\$ 1,957,035	\$ 590,373	30.2%
Due from UF Strategic Fund	2,243,943	8,605,106	(6,361,163)	-73.9%
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$113,135 and \$79,967 for 2018 and 2017, Respectively	536,116	352,965	183,151	51.9%
Prepaid Expenses	<u>2,580</u>	<u>0</u>	<u>2,580</u>	0.0%
Total Assets	<u>\$ 5,330,047</u>	<u>\$ 10,915,106</u>	<u>\$ (5,585,059)</u>	-51.2%

At June 30, 2018, the total of the Association's assets were \$5,330,047. One of the Association's largest asset is its due from University of Florida Strategic Fund of \$2,243,943, of which up to \$10 million is available within 24 hours, and any amount over that is available within a week. Cash increased by \$590,373 or 30.2%. In general, cash is kept low due to the agreement to transfer all excess cash into the University's Strategic Fund each quarter.

FY 2018 also brought about an increase in our net accounts receivable balance of \$183,151 or 51.9% over the prior year. This increase is mostly due to outstanding contract payments for work performed during the fiscal year but payments not received on invoices by the end of FY18. The net allowance for doubtful accounts increased by \$33,168 or 41.5%. Due to this increase, instead of employing an inefficient, external, third-party collections agency, in FY19 the collections will be handled internally through the Accounts Receivable staff.

Liabilities

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Accounts Payable and Other Accrued Liabilities	\$ 6,903	\$ 8,755	\$ (1,852)	-21.2%
Deposits and Refunds Due	97,604	129,048	(31,444)	-24.4%
Unearned Revenue	360,589	0	360,589	100.0%
Due to University of Florida Operations and Maintenance Fund	<u>1,879,066</u>	<u>1,338,929</u>	<u>540,137</u>	40.3%
Total Liabilities	<u>\$ 2,344,162</u>	<u>\$ 1,476,732</u>	<u>\$ 867,430</u>	58.7%

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)

Accounts payable and other accrued liabilities decreased by \$1,852 or 21.2%. The hospital acts as a pass-through for clinical trial testing for hospital patients to each specific researcher. The month following the close of a quarter, this researcher receives a portion of the revenue for research projects. Fourth quarter 2018 revenue from outside sources was lower than fourth quarter 2017.

Deposits and refunds due decreased by \$31,444 or 24.4%. There was more caseload and revenue in FY 2018 than in FY 2017. The clinicians working in the hospital are providing more accurate estimates to our clients, therefore less additional payments and fewer refunds are processed.

Unearned Revenue increased by \$360,589 or 100% from FY 2017. In FY 2017, no early payments were made on contracts. At the end of FY 2018, the Association had received payments for multiple contracts that became effective in FY 2019. Because revenue had not been earned yet for these contracts, the Association recorded a liability for the payment.

Due to UF Operations and Maintenance Fund represents, in large part, June hospital revenue due. It increased from \$1,338,929 to \$1,879,066 or 40.3%. The hospital portion of June revenue is paid in the subsequent month after it is due and, therefore, accrued as a liability on the Association's financial statements. A year-end calculation is done to ensure all revenue has been captured for the year. The increase to the liabilities resulted from the accrual of FY 2018 hospital revenue due to the O&M. Hospital revenue due at the end of FY 2018 is \$540,137 more than hospital revenue due at the end of FY 2017.

Current Ratio

The Association's current assets of \$5,330,047 were more than sufficient to cover the current liabilities of \$2,334,162. This produced a current ratio for FY 2018 of 2.27 to 1. This is lower than the current ratio for last fiscal year which was 7.39 to 1.

Net Position

Net position totaled \$2,985,885, which represents 457% of total operating expenditures during 2018. Last year, net position of \$9,438,374 represented 1,603% of FY 2017 operating expenditures.

Net position decreased by \$6,452,489 during FY 2018. This decrease is higher than in years past because of an increase of 58.7% in liabilities, and an increase of 83.5% in Transfers to UF.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)

Income Statement

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Program Revenue	\$ 11,350,857	\$ 10,534,375	\$ 816,482	7.8%
Other Income	1,719,671	340,265	1,379,406	405.4%
Total Operating Revenues	<u>13,070,528</u>	<u>10,874,640</u>	<u>2,195,888</u>	20.2%
Operating Expenditures:				
Provision for Doubtful Accounts	81,313	51,846	29,467	56.8%
Bank Service Charges	508,638	480,332	28,306	5.9%
Other Expenses	62,722	56,482	6,240	11.0%
Total Operating Expenses	<u>652,673</u>	<u>588,660</u>	<u>64,013</u>	10.9%
Net Operating Income	12,417,855	10,285,980	2,131,875	20.7%
Nonoperating Revenues				
Interest Income	0	0	0	0.00%
Income Before Transfers	<u>12,417,855</u>	<u>10,285,980</u>	<u>2,131,875</u>	20.7%
Transfers:				
Transfers to the University of Florida Operations and Maintenance Fund	(16,119,563)	(8,723,684)	(7,395,879)	84.8%
Transfers to the University of Florida Foundation	(700,000)	(500,000)	(200,000)	40.0%
Transfers from Component Units Fund	(2,050,781)	(1,060,957)	(989,824)	93.3%
Total Transfers	<u>(18,870,344)</u>	<u>(10,284,641)</u>	<u>(8,585,703)</u>	83.5%
Change in Net Position	<u>\$ (6,452,489)</u>	<u>\$ 1,339</u>	<u>\$ (6,453,828)</u>	-481988.6%

Current year operating revenues of \$13,070,528 more than covered the current year operating expenses of \$652,673. Most expenses related to UFVH operations are handled through the UF Operations and Maintenance Fund instead of being paid directly by the Association.

Total operating revenues were \$13,070,528. This revenue is generated by billing and collecting on medical care given to patients of the UFVH. The most significant portion of revenue is that which is generated through the services that are offered - program revenue. Program revenue accounted for a total of \$11,350,857 or 87% of operating revenue. The remaining 13% of operating revenues were due to other income.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)

Other income increased because of the increase in the amount collected from outside sources to provide education for residents. The Association invoices for several contracts and collects money for residents' salary. The increase was \$1,379,406 or 405.4%, due mainly to the restructure of the offshore contracts. Part of this was also an increase due to adjustments to existing contracts from FY 2017 in order to account for the increase in fringe rates in FY 2018.

Operating expenses were \$652,673 for the current FY compared to \$588,660 in the prior year. This was an increase of \$64,013 or 10.9% from FY 2017.

The Provision for Doubtful Accounts increased from \$51,846 last year to \$81,313 this year, which is an increase of \$29,467 or 56.8%. To address the increase and after a review of the current process, the Hospital recently moved to internal collections through the Accounts Receivable staff rather than the previously utilized inefficient third-party collections agency.

Credit card processing fees increased \$28,306 or 5.9% from \$480,332 last year to \$508,638 this year. This was due to increased revenue in FY 2018.

Other Expenses increased by \$6,240 or 11.0%. This was due to an additional expense for a Miami apartment rental fee used to house students participating in clinical rotations that began in April 2018.

Departmental transfers out of the Association increased by \$8,585,703 or 83.5% this FY over the prior FY. Close to \$5 million of this total was for construction costs and almost \$2 million was for increased total operating expenses for the hospital.

Statement of Cash Flows

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Cash Provided by (Used in):				
Operating Activities	\$ 12,559,417	\$ 10,218,074	\$ 2,341,343	22.9%
Investing Activities	0	0	0	0.0%
Capital and Related Financing Activities				
Noncapital Financing Activities	<u>(11,969,044)</u>	<u>(9,932,604)</u>	<u>(2,036,440)</u>	20.5%
Net Increase (Decrease) in Cash and				
Cash Equivalents	590,373	285,470	304,903	106.8%
Cash and Cash Equivalents, Beginning of Year	<u>1,957,035</u>	<u>1,671,565</u>	<u>285,470</u>	17.1%
Cash and Cash Equivalents, End of Year	<u>\$ 2,547,408</u>	<u>\$ 1,957,035</u>	<u>\$ 590,373</u>	30.2%

The Association saw an increase of cash of \$590,373 during FY 2018. The increase of cash on hand is mostly the result of an increase in revenues which resulted in a larger due to UF at June 30, 2018 than in the prior year.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)

Funds from Operating Activities

Cash provided by operating activities increased by \$2,341,343 or 22.9% from the prior year.

Funds from Noncapital Financing Activities

Cash used in noncapital financing activities increased by \$2,036,440 or 20.5%. There were more transfers to the UF Operations and Maintenance Fund and Component Units Fund than the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the Association had nothing invested in capital assets. The amount represents no change from last year.

Bond, Notes, and Capital Leases

The Association had no outstanding bonds, notes, or capital leases at the end of 2017 or 2018.

OPERATIONAL KEY INDICATORS

Operational key indicators of the UFVH are caseload and charges.

Caseload for FY 2018 increased by 4.2%, or 1,780 cases. FY 2018 caseload was 44,324 while FY 2017 had 42,544 cases. Small Animal increased 1,911 cases from 40,179 to 42,090. This represented a 4.8% increase due in part to a 2.0%, or 116 increase in caseload in the Ocala emergency clinic, UF Pets. Large Animal decreased 130 cases or 5.5%, from 2,361 in FY 2017 to 2,231 in FY 2018.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)

ECONOMIC FACTORS

- HIPAA: While HIPAA is a major concern for our human hospital counterparts, at the present time, we do not expect this requirement to have any financial implications in the upcoming FY.
- Florida State Allocation: The State of Florida provides a portion of the UF Veterinary Hospital's operation funding. Thus, the economic health and budget priorities of the State will continue to affect the operation resources available to the Teaching Hospital. For FY 2018, the College and hospitals was flat. The outlook for FY 2019 is again stable.
- Spending behavior has continued to remain strong. Caseload increased by 4.2%. A 3% fee increase was implemented in July 2017.
- The entity is subject to the discretionary income available to patient owners to pay for care, which was previously impacted by the overall state and national economic down turn. The companion animal sector is viewed as more recession proof than the large animal race horse sector. Approximately 90% of the operating funds to the Veterinary Hospitals are based on client services. In a tight economy clients are less willing to pay for high dollar specialty procedures and exams, while at the same time referring veterinarians are more likely to try and hold onto cases to address their own revenue shortfalls, instead of referring for the best possible outcome to the patient. Over the course of the last year, the ATC or Average Transaction Charge, or average client invoice amount, has seen some improvement in some services. The increased caseload shows increased willingness to refer cases to the specialty services and continued growth of the emergency services which also are a large feeder to the higher ATC specialties.
- Specialty Practices: With the increasing opening of veterinary specialty practices within the state of Florida, the caseload for the UFVH is harder to generate. The UFVH needs to maintain a certain amount of caseload for the teaching and training of future veterinarians. While we do have a loyal base of referring veterinarians, clients are still the ones that make the ultimate decision of where to receive their veterinary care. It is much easier for them to receive quality veterinary care within their local community than to drive to Gainesville to receive care. Increased communications with the referring clinicians has been a significant Dean's level initiative.
- There is a need to be able to recruit, retain, and maintain clinical faculty and staff to meet future growth plans. In FY 2018, the Hospital had several staff and faculty positions open at any given time. A new salary payment plan, Children Animal Research Education (CARE) was implemented in July 2017. The implementation of this plan created salary savings due to the lower fringe costs which allowed for additional staffing lines to be added and more competitive salaries to be offered.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Association's Board of Directors and creditors and the Board of Trustees of the University of Florida with a general overview of the Association's finances. If you have questions about this report or need additional information, contact the Association's Accountant's Office, at (352) 294-4060.

STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 2,547,408	\$ 1,957,035
Due from University of Florida Strategic Fund	2,243,943	8,605,106
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$113,135 and \$79,967 for 2018 and 2017, Respectively	536,116	352,965
Prepaid Expenses	2,580	0
Total Assets	5,330,047	10,915,106
 Liabilities and Net Position		
Liabilities		
Accounts Payable and Other Accrued Liabilities	6,903	8,755
Deposits and Refunds Due	97,604	129,048
Unearned Revenue	360,589	0
Due to University of Florida Operations and Maintenance Fund	1,879,066	1,338,929
Total Liabilities	2,344,162	1,476,732
Unrestricted Net Position	2,985,885	9,438,374
Total Liabilities and Net Position	\$ 5,330,047	\$ 10,915,106

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA**

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Program Revenue	\$ 11,350,857	\$ 10,534,375
Other Income	1,719,671	340,265
Total Operating Revenues	<u>13,070,528</u>	<u>10,874,640</u>
Operating Expenses		
Provision for Doubtful Accounts	81,313	51,846
Bank Service Charges	508,638	480,332
Other Expenses	62,722	56,482
Total Operating Expenses	<u>(652,673)</u>	<u>(588,660)</u>
Net Operating Income	<u>12,417,855</u>	<u>10,285,980</u>
Transfers		
Transfers to the University of Florida Operations and Maintenance Fund	(16,119,563)	(8,723,684)
Transfers to the University of Florida Transfers from Component Units Fund	(2,050,781)	(1,060,957)
Transfers to the University of Florida Foundation	(700,000)	(500,000)
Total Transfers	<u>(18,870,344)</u>	<u>(10,284,641)</u>
Change in Net Position	(6,452,489)	1,339
Net Position, Beginning of Year	<u>9,438,374</u>	<u>9,437,035</u>
Net Position, End of Year	<u>\$ 2,985,885</u>	<u>\$ 9,438,374</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
JUNE 30, 2018 AND 2017
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash Receipts from Customers	\$ 13,135,209	\$ 10,750,797
Cash Payments to Suppliers of Goods and Services	<u>(575,792)</u>	<u>(532,723)</u>
Net Cash Provided by Operating Activities	<u>12,559,417</u>	<u>10,218,074</u>
Noncapital Financing Activities		
Payments of Operations and Maintenance Fund Payable	(1,338,929)	(983,489)
Due to Operations and Maintenance Fund	1,879,066	1,338,929
Transfers to the University of Florida		
Operations and Maintenance Fund	(16,119,563)	(8,723,684)
Transfers to the University of Florida		
from Component Units Fund	(2,050,781)	(1,060,957)
Transfers to the University of Florida		
Foundation	(700,000)	(500,000)
Transfers to University of Florida - Strategic Fund	(991,245)	(3,403)
Transfers from University of Florida - Strategic Fund	<u>7,352,408</u>	<u>0</u>
Net Cash (Used in) Noncapital Financing Activities	<u>(11,969,044)</u>	<u>(9,932,604)</u>
Net Increase (Decrease) in Cash and Cash		
 Equivalents	590,373	285,470
Cash and Cash Equivalents, Beginning of Year	<u>1,957,035</u>	<u>1,671,565</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,547,408</u>	<u>\$ 1,957,035</u>
<u>Reconciliation of Operating Income (Loss) to Net</u>		
<u>Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ 12,417,855	\$ 10,285,980
Operating Activities:		
Decrease (Increase) in Accounts Receivable	(183,151)	(52,531)
Decrease (Increase) in Prepaid	(2,580)	0
Increase (Decrease) in Accounts Payable	(1,852)	4,091
Increase (Decrease) in Deposits and Refunds Due	(31,444)	20,664
Increase (Decrease) in Unearned Revenue	<u>360,589</u>	<u>(40,130)</u>
Net Cash Provided by (Used in) Operating		
 Activities	<u>\$ 12,559,417</u>	<u>\$ 10,218,074</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

Note 1 - Reporting Entity

The Florida Veterinary Medicine Faculty Association, Inc. (the Association) is a not-for-profit corporation formed by the University of Florida College of Veterinary Medicine in October 1999, and began operations in May 2000. The Association performs services on small and large animals within the University of Florida Veterinary Hospitals. The Association was formed primarily for the purpose of enhancing education at the University of Florida. The Association funds salary supplements and other related costs for the benefit of the faculty of the College of Veterinary Medicine. The Association also transfers funds to the University of Florida (the University) in the furtherance of its above-stated purpose. The Association is an affiliated organization component unit of the University and is, therefore, included by discrete presentation in the financial statements of that reporting entity.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are reported on the accrual basis of accounting. These financial statements are entirely those of the Association alone and, accordingly, are not intended to present the financial position or the results of operations of the University. The Association was determined to be "governmental" under guidance provided by the Governmental Accounting Standards Board (GASB) Statement No. 29.

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

Classification of Revenues

The Association classifies its revenues as operating or nonoperating according to the following criteria:

■ **Operating Revenues**

Include activities that have the characteristics of exchange transactions, such as clinical revenue and contractual revenue.

■ **Nonoperating Revenues**

Include activities that have characteristics of nonexchange transactions, such as investment income.

Net Position

The Association's net position is classified as follows:

■ **Unrestricted**

Represents net position that is not restricted for any purpose and is available for current operations.

Cash and Cash Equivalents

The Association considers all highly-liquid investments with maturities of three months or less when purchased to be cash and cash equivalents. Included in the Association's cash and cash equivalents are amounts on deposit with the Association's commercial bank.

NOTES TO FINANCIAL STATEMENTS
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is established by charges to income through the provision for uncollectible accounts. The allowance is based on experience and other circumstances which may affect the ability of clients to meet their obligations. Accounts are considered past due after 60 days. Prior to April 30, 2018, accounts were sent to a collection agency after 90 days. The Association did not renew the collection agency contract and will perform the collections process in hours beginning in fiscal year 2019. It is the Association's policy to write off uncollectible accounts after they have been in collections for one year, and all collection efforts have been exhausted.

Revenues

Revenues are derived principally from Veterinary Medicine residents and doctors performing services such as exams, hospitalization, and providing intensive care to small and large animals.

Clients of the Association that are admitted to the University of Florida Veterinary Hospital (the Hospital) for services are given a single bill for all charges, which include the Hospital fees and Association charges for service. These revenues are split between the Association and the Hospital based on a mutually agreed-upon schedule between the Association and the University. The Association only includes their portion of these charges for services as revenue in the accompanying financial statements.

Other income includes amounts collected from outside sources to provide education for residents.

Expenses

Expenses are recognized on the accrual basis of accounting. Payment of nonfaculty salaries and purchases of equipment and supplies are accomplished by the Association through transfers to the University of Florida Transfers from Component Units Fund and Operations and Maintenance Fund.

Fixed Assets

All fixed assets are owned by the University and recorded by the University Plant Fund.

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. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Donated Services

The Association occupies space at the University of Florida College of Veterinary Medicine and is assisted by employees of the University. Since there is no clearly measurable basis to value these contributed services, the value of such services is not recorded in the accompanying financial statements.

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies (Concluded)

Income Taxes (Concluded)

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

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

Note 3 - Deposits and Investments

Cash and Cash Equivalents

The Association's cash and cash equivalents includes amounts on deposit with the Association's commercial bank, which, as of June 30, 2018, exceeded federally insured limits of \$250,000 by \$2,069,776. As of June 30, 2018 and June 30, 2017, the carrying amount of the Association's deposits was \$2,547,408 and \$1,957,035, respectively, and the bank balance was \$2,479,682 and \$1,874,360, respectively.

Custodial Credit Risk—Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association has no formal policy on custodial credit risk.

Note 4 - Due from University of Florida – University Strategic Fund

In November 2014, the Association signed a memorandum of understanding (MOU) with the University of Florida in which the Association agrees to deposit its excess cash and investments into the University's Strategic Fund. The University manages and invests these monies for the benefit of the Strategic Fund. All earnings, losses, and associated investment management fees are retained by the University. The University intends to repay the amounts deposited to the Association, therefore, the Association recorded a due from the University's Strategic Fund of \$2,243,943 as of June 30, 2018. Any withdrawal of monies under \$10 million have same day accessibility, while withdrawals over \$10 million require written notice of at least two working days.

Note 5 - Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and tenants' legal liability for which the Association carries insurance. The University of Florida Self-Insurance Programs provides general and professional liability protection for the University on behalf of the six health colleges of the J. Hillis Miller Health Science Center, which also includes the Veterinary Medical Teaching Hospital.

NOTES TO FINANCIAL STATEMENTS
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA
(Concluded)

Note 6 - Related Party Transactions

During the years ended June 30, 2018 and 2017, the Association transferred \$16,119,563 and \$8,723,684, respectively, to the University of Florida Operations and Maintenance Fund, and \$2,050,781 and \$1,060,957, respectively, to the University of Florida Transfers from Component Units Fund. The Association also transferred \$700,000 and \$500,000, respectively to the UF Foundation during the fiscal years ended June 30, 2018 and 2017.

As of June 30, 2018, \$1,879,066 was due to the University of Florida Operations and Maintenance Fund.

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

Audit Committee
Florida Veterinary Medicine Faculty Association, Inc.
Gainesville, Florida

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 Florida Veterinary Medicine Faculty Association, Inc. (the Association), a component unit of the University of Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Audit Committee
Florida Veterinary Medicine Faculty Association, Inc.
Gainesville, Florida

**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
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

August 16, 2018
Gainesville, Florida