

**UNIVERSITY OF FLORIDA COLLEGE
OF NURSING FACULTY PRACTICE
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
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JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Audit Committee
University of Florida College of Nursing
Faculty Practice Association, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Florida College of Nursing Faculty Practice Association, Inc. (the Association), a component unit of the University of Florida, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 and 4 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.

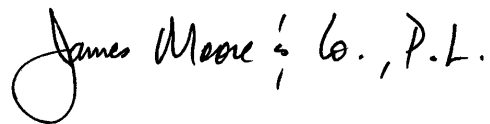
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's basic financial statements. The supplemental information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

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



Gainesville, Florida
August 29, 2018

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017**

The University of Florida College of Nursing Faculty Practice Association's (the Association) discussion and analysis is designed to assist the reader in focusing on significant issues, provide an overview of the financial activities, identify changes in financial position, identify any material deviations from the financial plan, and identify issues and concerns. Since the Management's Discussion and Analysis is intended to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements attached.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include the Statements of Net Position, and the Statements of Revenues, Expenses and Changes in Net Position, which provide information about the activities of the Association and present a long-range view of the Association's financial position. The Statements of Cash Flows provides information regarding net cash provided by and used in activities of the Association.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Since these notes are an integral part of the financial statements, they should be read in conjunction with the financial statements in order for the reader to have a clear understanding of Association activities and performance.

FINANCIAL ANALYSIS

The following select financial information was derived from the complete set of Association financial statements. It is presented to support management's analysis of the financial position and the results of operations following this information. Additionally, a summary of the Miscellaneous Gift & Grant Fund (MGG) activity has been included in the Additional Information (Unaudited) section to provide the reader a more complete financial picture.

NET POSITION

	2018	2017	2016
Total assets	\$ 4,001,334	\$ 4,102,634	\$ 4,173,393
Total liabilities	-	-	-
Total Net Position	\$ 4,001,334	\$ 4,102,634	\$ 4,173,393

CHANGES IN NET POSITION

	2018	2017	2016
Revenue			
Operating	\$ 800,714	\$ 881,001	\$ 912,645
Other	210	345	1,168
Total revenue	800,924	881,346	913,813
Expenses	2,224	27,105	60,236
Transfers to University of Florida	900,000	925,000	1,100,000
Change in Net Position	\$ (101,300)	\$ (70,759)	\$ (246,423)

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017
(Continued)**

During fiscal year 2018, the Association assets decreased by (\$101,300), a 2.47% overall decrease in net position. This decrease was caused by the loss of clinical contracts and a reduction in patient revenue due higher bad debt and uncollectable receivables. During fiscal year 2017, the Association assets decreased by (\$70,759), a 1.70% overall decrease in net position. The continued need for increased staffing for HRSA grant outcomes and patient care (HRSA unfunded portions of faculty and staff FTE), and unfunded state mandated salary increases for Archer Clinic personnel contributed to increased operating costs and decrease in net position.

During fiscal year 2018, total revenues decreased from the prior fiscal year by (\$80,422) to \$800,924, a 9.12% decrease. Other Revenues totaled \$210 and included bank interest of \$21 and restitution payments of \$189. During fiscal year 2017, total revenues decreased from the prior fiscal year by (\$32,467) to \$881,346, a 3.55% decrease. Other Revenues included bank interest and restitution payments.

During fiscal year 2018, operating expenses (excluding MGG) decreased by \$24,881, a 91.79% decrease compared to the prior year. This was due to receiving Electronic Health Record (EHR) expense reimbursement of \$59,500. During fiscal year 2017, operating expenses (excluding MGG) decreased by \$33,131, a 55.0% decrease compared to the prior year. This was due to receiving EHR expense reimbursement of \$34,000. In 2018, 2017 and 2016 the results of all Faculty Practice operations produced a decrease in net assets of (\$101,300), (\$70,759), and (\$246,423) respectively.

	2018	2017	2016
Faculty participating	11	12	13
Practice sites	7	9	9
FTEs funded	4.5+	5+	5+

The results of operations include contractual services and one nurse-managed health center, Archer Family Health Care. Thirteen faculty members participated in Faculty Practice activities at seven different sites. Revenue supported approximately 4.55 full-time (FTE) faculty members, which were essential to accomplishing the College’s education and research missions.

Association reserves provided the funds needed to support continued operation of Archer Family Health Care to help support critical needs and enable the College to continue to achieve its goals. There are no additional issues or concerns to report.

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 Todd Fraser, the Executive Director of the College of Nursing, at (352) 273-6386.

**UNIVERSITY OF FLORIDA COLLEGE OF
NURSING FACULTY PRACTICE ASSOCIATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017**

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets			
Cash and cash equivalents		\$ 349,313	\$ 122,138
Patient accounts receivable, net of allowance of \$18,000 and \$7,200, respectively		68,061	40,536
Contracts receivable		51,440	74,838
Estimated third-party payor settlements receivable		16,639	5,246
Due from the University of Florida		3,002,342	3,302,342
Total current assets		<u>3,487,795</u>	<u>3,545,100</u>
Noncurrent assets			
Capital assets not being depreciated		332,060	332,060
Capital assets being depreciated, net		181,479	225,474
Total noncurrent assets		<u>513,539</u>	<u>557,534</u>
Total assets		<u><u>\$ 4,001,334</u></u>	<u><u>\$ 4,102,634</u></u>
	<u>NET POSITION</u>		
Net position			
Investment in capital assets		\$ 513,539	\$ 557,534
Unrestricted		3,487,795	3,545,100
Total net position		<u><u>\$ 4,001,334</u></u>	<u><u>\$ 4,102,634</u></u>

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

**UNIVERSITY OF FLORIDA COLLEGE OF
NURSING FACULTY PRACTICE ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Operating revenues		
Net patient service revenue	\$ 353,843	\$ 358,370
Contract revenue	446,871	522,631
Total operating revenues	800,714	881,001
Operating expenses		
Miscellaneous contributions, dues and fees	14,034	13,431
Depreciation	43,995	43,995
Other	3,695	3,679
Expenses before reimbursement	61,724	61,105
Electronic health records incentive reimbursement	(59,500)	(34,000)
Total operating expenses	2,224	27,105
Operating income	798,490	853,896
Nonoperating revenues		
Other income	210	345
Income before transfers	798,700	854,241
Transfers		
Transfers to the University of Florida	(900,000)	(925,000)
Net change in net position	(101,300)	(70,759)
Net position, beginning of year	4,102,634	4,173,393
Net position, end of year	\$ 4,001,334	\$ 4,102,634

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

**UNIVERSITY OF FLORIDA COLLEGE OF
NURSING FACULTY PRACTICE ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Cash flows from operating activities		
Patient service and contract revenue	\$ 896,134	\$ 960,440
Payments to vendors	(17,729)	(17,110)
Transfer from University of Florida	300,000	-
Net cash provided by operating activities	1,178,405	943,330
Cash flows from noncapital financing activities		
Transfers to the University of Florida	(900,000)	(925,000)
Cash flows from investing activities		
Investment and other income	210	345
Net increase in cash and cash equivalents	278,615	18,675
Cash and cash equivalents, beginning of year	122,138	103,463
Cash and cash equivalents, end of year	\$ 400,753	\$ 122,138
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 798,490	\$ 853,896
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	43,995	43,995
Change in assets - decrease (increase) :		
Patient accounts receivable	(27,525)	18,687
Contracts receivable	74,838	31,998
Third party settlement receivable	(11,393)	(5,246)
Due from University of Florida	300,000	-
Net cash provided by operating activities	\$ 1,178,405	\$ 943,330

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

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The University of Florida College of Nursing Faculty Practice Association, Inc. (the Association) is a faculty practice plan as provided for in Section 9.017, Florida Board of Governors Regulations, and is considered a component unit of the University of Florida (the University). The Association is a not-for-profit corporation formed by the faculty at the University of Florida College of Nursing and activated in 1998. In January 2001, the Association opened a clinic in Archer, Florida to provide health care services to the surrounding area. The Association performs billing and collection of professional fees associated with the practice of nursing at the University of Florida College of Nursing.

The Association was formed primarily for the purpose of enhancing the quality of nursing education and research at the University of Florida. The Association also transfers funds to the University of Florida in the furtherance of its above-stated purpose. The Association is an affiliated Association and a component unit of the University of Florida Health Science Center Affiliates and is, therefore, included by discrete presentation in the financial statements of that reporting entity.

(b) **Basis of presentation**—For financial reporting purposes, the Association is considered a special-purpose government engaged only in business-type activities. Accordingly, the Association prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Association's accounting policies conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

(c) **Net position**—The Association's net position is classified as follows:

(i) **Investment in capital assets**—represents the Association's total investment in capital assets. There is no debt obligation related to those capital assets.

(ii) **Unrestricted**—represents assets that are not restricted for any purpose and available for current operations.

(d) **Due from University of Florida**—The Association transfers excess operating cash to the University and withdraws funds as needed for operations.

(e) **Capital assets**—The assets owned by the University are recorded by the University of Florida Plant Fund. Assets purchased by the Association are recorded at cost on the date of acquisition. The Association capitalizes all expenditures of property and equipment having a cost greater than \$5,000 and a normal expected life of one year or more. Depreciation is computed on the building using the straight-line method over the estimated useful life of 15 years.

(f) **Contracts receivable**—Contracts receivable are recorded for funds to be received from various contracts as revenues are earned. An allowance for uncollectible receivables has not been recorded as all amounts are deemed collectible.

(g) **Revenue**—Operating revenues results from exchange transactions associated with providing healthcare services, which is the Association's principal activity. Other sources of revenue, including investment earnings, are reported as non-operating revenue.

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

(h) **Expenses**—Expenses are recognized on the accrual basis of accounting. Payment of salaries and purchases of equipment and supplies are accomplished by the Association through transfers to the University of Florida.

(i) **Net patient service revenue and receivables**—Patient service revenue is recognized as revenue in the period when the services are performed and is reported on the accrual basis at the estimated net realizable amounts from patients, third-party payers and others. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payer programs under payment formulas in effect. Net patient service revenue also includes an estimated provision for bad debts based upon management's evaluation of collectability of patient receivables considering the age of the receivables and other criteria, such as payer classifications.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an allowance for contractual adjustments. Individual accounts are charged-off against the estimated allowance for uncollectible accounts when management determines that it is unlikely that the account will be collected. The contractual adjustments represent the difference between established billing rates and estimated reimbursement from patients and third party payers. The Association does not require collateral or other security for patient accounts receivable.

(j) **Use of estimates**—The preparation of financial statements in conformity with generally accepted accounting principles 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.

(k) **Donated services**—The Association occupies space at the University of Florida College of Nursing 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.

(l) **Income taxes**—The Association has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association annually files a Form 990, "Return of Association Exempt from Income Tax" with the Internal Revenue Service. The Association's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. The Association has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with the accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Association.

(m) **Cash and cash equivalents**—For purpose of reporting cash flows, cash and cash equivalents include only investments with original maturities of three months or less.

(n) **Electronic Health Records Incentive Reimbursement**—The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). These provisions were designed to increase the use of electronic health records (EHR) technology and establish the requirements for a Medicaid incentive payments program beginning in 2011 for eligible hospitals and providers that adopt and meaningfully use certified EHR technology.

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

Eligibility for annual Medicaid incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments. Medicaid EHR incentive payments are fully funded by the federal government and administered by the states; however, the states are not required to offer EHR incentive payments to providers.

The Association reported \$59,500 and \$34,000 during the years ended June 30, 2018 and 2017, respectively, of incentive reimbursement under other income for HITECH incentives from Medicaid related to the Archer Family Health Clinic (the Clinic) and for the Clinic's providers that have demonstrated meaningful use of certified EHR technology or have completed attestations to their adoption or implementation of certified EHR technology. These incentive reimbursements are reported under the grant accounting model as there is reasonable assurance that the Clinic complied with applicable requirements in the current period. These amounts are estimates and subject to change, with such changes recorded in the period in which they occur. Additionally, the amounts are subject to audit by the federal government or its designee.

(2) **Net Patient Service Revenue:**

Net patient service revenue is derived principally from professional fees generated by the faculty of the Association for treating patients. Net patient service revenue represents direct revenue from patient care. This revenue is derived from professional fees charged to individual patients and funded through third party payers and private patient payments based on established reimbursement rates. A reconciliation of the net patient service revenue and amounts of services provided to patients at established rates to direct revenue from patient care, as presented in the statement of revenue, expenses and changes in net position is as follows:

	Year Ending June 30,	
	2018	2017
Gross direct charges from patient care	\$ 689,590	\$ 761,444
Less: Contractual adjustments	(306,581)	(380,878)
Less: Patient refunds	(1,719)	(1,471)
Less: Bad debt expense	(27,447)	(20,725)
Total net patient service revenue	\$ 353,843	\$ 358,370

(3) **Risk Management:**

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and tenants' legal liability for which the Association carries commercial insurance. Insurance against losses is provided for the following type of risk:

* General Liability

The Association obtains professional liability protection coverage from the University of Florida self-insurance program.

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

(4) **Capital Assets:**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 332,060	\$ -	\$ -	\$ 332,060
Total capital assets not being depreciated	<u>332,060</u>	<u>-</u>	<u>-</u>	<u>332,060</u>
Capital assets being depreciated:				
Buildings	659,925	-	-	659,925
Total capital assets being depreciated	<u>659,925</u>	<u>-</u>	<u>-</u>	<u>659,925</u>
Less accumulated depreciation for:				
Buildings	(434,451)	(43,995)	-	(478,446)
Total accumulated depreciation	<u>(434,451)</u>	<u>(43,995)</u>	<u>-</u>	<u>(478,446)</u>
Total capital assets being depreciated, net	<u>225,474</u>	<u>(43,995)</u>	<u>-</u>	<u>181,479</u>
Total capital assets, net	<u>\$ 557,534</u>	<u>\$ (43,995)</u>	<u>\$ -</u>	<u>\$ 513,539</u>

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 332,060	\$ -	\$ -	\$ 332,060
Total capital assets not being depreciated	<u>332,060</u>	<u>-</u>	<u>-</u>	<u>332,060</u>
Capital assets being depreciated:				
Buildings	659,925	-	-	659,925
Total capital assets being depreciated	<u>659,925</u>	<u>-</u>	<u>-</u>	<u>659,925</u>
Less: accumulated depreciation:				
Buildings	(390,456)	(43,995)	-	(434,451)
Total accumulated depreciation	<u>(390,456)</u>	<u>(43,995)</u>	<u>-</u>	<u>(434,451)</u>
Total capital assets being depreciated, net	<u>269,469</u>	<u>(43,995)</u>	<u>-</u>	<u>225,474</u>
Total capital assets, net	<u>\$ 601,529</u>	<u>\$ (43,995)</u>	<u>\$ -</u>	<u>\$ 557,534</u>

The land and building for the Clinic are owned by the Association and, therefore, are recorded by the Association as an asset. All other related capital assets are owned by the University and are, accordingly, not recorded by the Association.

**UNIVERSITY OF FLORIDA COLLEGE OF NURSING
FACULTY PRACTICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

(5) **Related Party Transactions:**

During the years ended June 30, 2018 and 2017, the Association received \$143,997 and \$163,626, respectively, from the University of Florida relating to service contracts. The receivable balances under these contracts totaled \$9,405 and \$13,734 at June 30, 2018 and 2017, respectively. The Association also had a service contract with UF Health during the year. For the years ended June 30, 2018 and 2017, the Association received \$91,980 and \$89,460 from UF Health and had no receivable balances at year end.

Effective August 1, 2014, the Association entered into an agreement with the University where excess operating cash and investments are held by the University on behalf of the Association. All earnings, losses and associated fees related to these funds will be retained or paid by the University. The Association has same day liquidity in regards to these funds up to \$10,000,000. A withdrawal of more than \$10,000,000 requires two days written notice. At June 30, 2018 and 2017, the balance of these funds held by the University was \$3,002,342 and \$3,302,342 respectively. These funds are shown as Due from University of Florida on the Statements of Net Position. During the year ended June 30, 2018, the Association received a transfer of \$300,000 from the funds held by the University of Florida.

During the years ended June 30, 2018 and 2017, the Association transferred \$900,000 and \$925,000, respectively, to the University of Florida.

(6) **Concentrations of Credit Risk:**

(a) **Demand deposits**—As of June 30, 2018, the Association's cash in bank deposits exceeded the federally insured limit of \$250,000 by approximately \$100,000. As of June 30, 2017, the Association's cash in bank deposits did not exceed the federally insured limit.

(b) **Accounts receivable**—The Association's accounts receivable represent patient and contract receivables, of which, a substantial amount are unsecured.

(c) **Contract revenues**—For the years ended June 30, 2018 and 2017, approximately 56% and 53% of the Association's contract revenues were generated from 4 major contracts. A significant portion of the Association's revenues are subject to contractual arrangements with third parties. Significant changes to the provisions of those contracts could have a material effect on the Association's profitability.

**SUPPLEMENTAL INFORMATION
(UNAUDITED)**

**UNIVERSITY OF FLORIDA COLLEGE OF
NURSING FACULTY PRACTICE ASSOCIATION, INC.
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
OF THE MISCELLANEOUS GIFT & GRANT (MGG) FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)**

	<u>2018</u>	<u>2017</u>
Operating revenues	<u>\$ -</u>	<u>\$ -</u>
Operating expenses		
Salaries and benefits	661,468	767,056
Advertising and promotion	890	2,791
Answering service	754	946
Armored car	1,890	3,240
Computer hardware and software support	49,849	48,766
Development	-	12,012
Dues and subscriptions	2,175	1,155
Faculty professional development funds	2,286	3,598
Food and water	612	849
Insurance	1,673	-
MD contract	16,233	25,046
Medical supplies	33,813	49,417
Office supplies	5,032	6,404
Other	3,725	1,574
Postage and freight	1,813	1,840
RCM overhead charges	34,129	41,735
Repairs and maintenance	17,909	54,769
Security system	377	491
T1 line	16,100	13,984
Telecommunication	2,151	2,102
Travel	2,028	6,532
Utilities	11,625	12,130
Total operating expenses	<u>866,532</u>	<u>1,056,437</u>
Net operating loss	<u>(866,532)</u>	<u>(1,056,437)</u>
Transfers		
Transfers from the Faculty Practice Association	900,000	925,000
Net change in net position	<u>33,468</u>	<u>(131,437)</u>
Net position, beginning of year	47,295	178,732
Net position, end of year	<u><u>\$ 80,763</u></u>	<u><u>\$ 47,295</u></u>

**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
University of Florida College of Nursing
Faculty Practice Association, Inc.:

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 University of Florida College of Nursing Faculty Practice Association, Inc. (the Association) 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 29, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

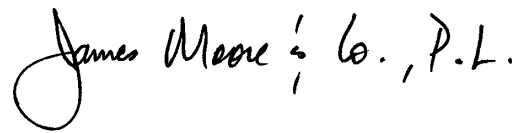
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida
August 29, 2018

August 29, 2018

To the Audit Committee of the Board of Directors
College of Nursing Faculty Practice Association, Inc.:

We have audited the financial statements of the College of Nursing Faculty Practice Association, Inc. (the Association) as of and for the year ended June 30, 2018, and have issued our report thereon dated August 29, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 15, 2018 our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Association solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

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Gainesville, FL 32607-2063
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2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Qualitative Aspects of the Association's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the Association is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is:

Management's estimate of the allowance for doubtful accounts is based on management's evaluation of the collectability of accounts receivable. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Association's financial statements relate to: Notes 2, 5 and 6, relating to net patient service revenue, related party transactions and concentrations of credit risk, respectively.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The following

summarizes the uncorrected financial statement misstatement whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Estimated third-party payor settlements due for cost report received in the current period relating to periods ending 6/30/17 or earlier	\$ 7,941
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In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements:

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Association's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated August 29, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Association, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Association's auditors.

Other Information in Documents Containing Audited Financial Statements

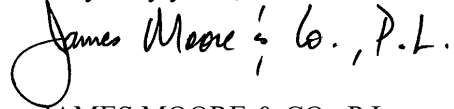
Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Association's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Audit Committee of the Board of Directors
College of Nursing Faculty Practice Association, Inc.
August 29, 2018
Page 4

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Audit Committee of the Board of Directors and management of the Association, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J" for "James".

JAMES MOORE & CO., P.L.