

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

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

JUNE 30, 2019

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

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

JUNE 30, 2019

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INDEPENDENT AUDITOR'S 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, 2019 and 2018, 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.

Auditor's 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.

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 AUDITOR'S REPORT

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, 2019 and 2018, 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.

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 23, 2019, 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.

Purvis, Gray and Company, LLP

August 23, 2019
Gainesville, Florida

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2019 AND 2018 (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, 2019. The discussion and analysis of the Association's financial statements provides an overview of its financial activities for the year, which ended June 30, 2019. 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 includes Ocala PETS and the Equine Acupuncture Center) 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 non-professional 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 \$1,099,120 decrease in net position in FY 2019. This is a net increase of \$5,353,369 from the prior year change in net position due to an increase in total net operating income of \$2,605,669, or 21.0% and a decrease in total transfers of \$2,747,700, or 14.6%. There was a \$2,675,458, or 20.5% increase in Operating Revenue and a 10.7% increase in operating expenses from the prior year. This is due to increased banking fees from increased revenue based on caseload as well as higher transaction fees for credit card transactions from using a new credit card processor and more secure credit card terminals.

During FY 2019, the Hospital hired new faculty and staff and implemented a 3% fee increase in July 2018. The Small Animal Hospital and the Ocala clinic saw an increase in caseload. Overall, the Association saw 6,606 more in caseload than in FY 2018. Part of this increase was the addition of the Veterinary Community Outreach service, which saw 2,648 cases during FY 2019.

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, 2019 AND 2018 (UNAUDITED)

FINANCIAL ANALYSIS OF THE FVMFA

Assets

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Cash and Cash Equivalents	\$ 3,868,258	\$ 2,547,408	\$ 1,320,850	51.9%
Due from UF Strategic Fund	1,371,480	2,243,943	(872,463)	-38.9%
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$115,666 and \$113,135 for 2019 and 2018, Respectively	526,077	536,116	(10,039)	-1.9%
Prepaid Expenses	-	2,580	(2,580)	-100.0%
Total Assets	<u>\$ 5,765,815</u>	<u>\$5,330,047</u>	<u>\$435,768</u>	8.2%

At June 30, 2019, the total of the Association's assets were \$5,765,815. One of the Association's largest asset is cash and cash equivalents, which increased by \$1,320,850, or 51.9%. In general, cash is kept low due to the agreement to transfer all excess cash into the University of Florida's Strategic Fund each quarter.

FY 2019 also brought about a decrease in the Due from University of Florida Strategic Fund of \$872,463, or 38.9%. This decrease is due to additional donations to the UFVH in order to continue normal operations. Our net accounts receivable balance also saw a decrease of \$10,039, or 1.9% from the prior year. This decrease is mostly due to having fewer outstanding contract payments for work performed during the fiscal year.

Liabilities

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Accounts Payable and Other Accrued Liabilities	\$ 11,730	\$ 6,903	4,827	69.9%
Deposits and Refunds Due	174,957	97,604	77,353	79.3%
Unearned Revenue	335,733	360,589	(24,856)	-6.9%
Due to University of Florida Operations and Maintenance Fund	<u>3,356,630</u>	<u>1,879,066</u>	<u>1,477,564</u>	78.6%
Total Liabilities	<u>\$3,879,050</u>	<u>\$2,344,162</u>	<u>\$1,534,888</u>	65.5%

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)

Accounts payable and other accrued liabilities increased by \$4,827, or 69.9%. 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 2019 revenue from outside sources was higher than fourth quarter 2018.

Deposits and refunds due increased by \$77,353, or 79.3%. There was more caseload and revenue in FY 2019 than in FY 2018. There were also more patients hospitalized at the end of FY 2019 than at the end of FY 2018, which means there were more outstanding deposits for their care.

Unearned Revenue decreased by \$24,856, or 6.9% from FY 2018. In FY 2019, there were fewer early payments 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 the June hospital revenue due. It increased from \$1,879,066 to \$3,356,630, or 78.6%. 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 2019 hospital revenue due to the O&M. Hospital revenue due at the end of FY 2019 is \$1,477,564 more than hospital revenue due at the end of FY 2018. This amount is substantially higher than prior years due to a calculation error throughout FY 2019 that was corrected in June.

Current Ratio

The Association's current assets of \$5,765,815 were more than sufficient to cover the current liabilities of \$3,879,050. This produced a current ratio for FY 2019 of 1.49 to 1. This is lower than the current ratio for last fiscal year which was 2.27 to 1.

Net Position

Net position totaled \$1,886,765, which represents 261% of total operating expenditures during FY 2019. Last year, net position of \$2,985,885 represented 477% of FY 2018 operating expenditures.

Net Position decreased by \$1,099,120 during FY 2019. This decrease is due to expenditures (including transfers) exceeding current year operating revenues. This was due to the Association transferring additional monies to support the UF Vet Hospital improvements. As construction wraps up we expect to see a positive change in net position.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)

Income Statement

	2019	2018	Increase (Decrease)	Percent Change
Operating Revenues:				
Program Revenue	\$ 12,742,970	\$ 11,350,857	\$ 1,392,113	12.3%
Other Income	3,003,016	1,719,671	1,283,345	74.6%
Total Operating Revenues	15,745,986	13,070,528	2,675,458	20.5%
Operating Expenditures:				
Provision for Doubtful Accounts	72,125	81,313	(9,188)	-11.3%
Bank Service Charges	595,717	508,638	87,079	17.1%
Other Expenses	54,620	62,722	(8,102)	-12.9%
Total Operating Expenses	(722,462)	(652,673)	69,789	10.7%
Net Operating Income	15,023,524	12,417,855	2,605,669	21.0%
Non-Operating Revenues:				
Interest Income	-	-	-	
Income Before Transfers	15,023,524	12,417,855	2,605,669	21.0%
Transfers:				
Transfers to the University of Florida				
Operations and Maintenance Fund	(14,711,522)	(16,119,563)	1,408,041	-8.7%
Transfers to the University of Florida				
Foundation	(107,477)	(700,000)	592,523	-36.4%
Transfers from Component Units Fund	(1,303,645)	(2,050,781)	747,136	-84.6%
Total Transfers	(16,122,644)	(18,870,344)	2,747,700	-14.6%
Change in Net Position	\$ (1,099,120)	\$ (6,452,489)	\$ 5,353,369	-83.0%

Current year operating revenues of \$15,745,986 more than covered the current year operating expenses of \$722,462. 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 \$15,745,986. 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 \$12,742,970 or 81% of operating revenue. The remaining 19% of operating revenues were due to other income.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)

Other income increased because of the increase in the amount collected from outside sources to provide education for residents and offshore students. The Association invoices for several contracts and collects money for residents' salaries. The increase was \$1,283,345, or 74.6%, due mainly to the restructure of the offshore contracts. Part of this was also an increase due to adjustments to existing contracts from FY 2018 in order to account for the increase in fringe rates in FY 2019.

Operating expenses were \$722,462 for the current FY compared to \$652,673 in the prior year. This was an increase of \$69,789, or 10.7% from FY 2018.

The Provision for Doubtful Accounts decreased from \$81,313 last year to \$72,125 this year, which is a decrease of \$9,188, or 11.3%. The Hospital recently moved from doing an internal collections process to utilizing a third-party collection agency.

Credit card processing fees increased \$87,079, or 17.1% from \$508,638 last year to \$595,717 this year. This was due to increased revenue in FY 2019 as well as higher per transaction fees because we are using a new credit card processor and new credit card terminals.

Other Expenses decreased by \$8,102, or 12.9%. This is due to the expenses for the Miami apartment rental fee (used to house students participating in clinical rotation) now being reimbursed to the Association by the College. In FY 2018, the Association paid for the April 2018 through June 2018 rental fees.

Departmental transfers out of the Association decreased by \$2,747,700, or 14.6% this FY over the prior FY. This decrease is due in part to not having a transfer for construction costs this FY. Last FY we transferred close to \$5 million for the construction of the new Primary Care and Dentistry area. We did see an increase in transfers as it pertains to hospital revenue compared to last FY.

Statement of Cash Flows

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percent Change</u>
Cash Provided by (Used in):				
Operating Activities	\$ 15,093,467	\$ 12,559,417	\$ 2,534,050	20.2%
Investing Activities	-	-	-	0.0%
Capital and Related Financing Activities				
Non-Capital Financing Activities	<u>(13,772,617)</u>	<u>(11,969,044)</u>	<u>(1,803,573)</u>	15.1%
Net Increase (Decrease) in Cash and				
Cash Equivalents	1,320,850	590,373	730,477	123.7%
Cash and Cash Equivalents, Beginning of Year	<u>2,547,408</u>	<u>1,957,035</u>	<u>590,373</u>	30.2%
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,868,258</u></u>	<u><u>\$ 2,547,408</u></u>	<u><u>\$ 1,320,850</u></u>	51.9%

The Association saw an increase of cash of \$1,320,850 during FY 2019. The increase of cash on hand is mostly the result of an increase in revenues which resulted in a larger due to UF on June 30, 2019, than in the prior year.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)

Funds from Operating Activities

Cash provided by operating activities increased by \$2,534,050, or 20.2% from the prior year.

Funds from Non-Capital Financing Activities

Cash used in noncapital financing activities increased by \$1,803,573, or 15.1%. There were more transfers to the UF Strategic Fund than the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2019, 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 2018 or 2019.

OPERATIONAL KEY INDICATORS

Operational key indicators of the UFVH are caseload and charges.

Caseload for FY 2019 increased by 14.9%, or 6,606 cases. FY 2019 caseload was 50,930 while FY 2018 had 44,324 cases. Small Animal increased 6,632 cases from 42,090 to 48,722, a 17.00% increase. This increase is due in part to an 8.37% (or 508 case) increase in caseload at the Ocala PETS as well as the addition of the Veterinary Community Outreach Program, which saw a total of 2,648 cases in FY 2019. Large Animal decreased 313 cases or 14.01%, from 2,234 in FY 2018 to 1,921 in FY 2019. This decrease is due to seeing fewer LA Reproduction Ambulatory cases as well as seeing fewer LA Surgery cases during FY 2019.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2019 AND 2018 (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 UFVH'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 2019, the College and hospitals allocation was flat. The outlook for FY 2020 is again stable.
- Spending behavior has continued to remain strong. Caseload increased by 14.9%. A 3% fee increase was implemented in July 2018.
- 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 2019, the Hospital had several staff and faculty positions open at any given time. The new salary payment plan, Children Animal Research Education (CARE), which was implemented in July 2017, continues to create salary savings due to the lower fringe costs, which continues to allow additional staffing lines to be added and salaries that are more competitive 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, 2019 AND 2018
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	2019	2018
Assets		
Cash and Cash Equivalents	\$ 3,868,258	\$ 2,547,408
Due from University of Florida Strategic Fund	1,371,480	2,243,943
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$115,666 and \$113,135 for 2019 and 2018, Respectively	526,077	536,116
Prepaid Expenses	-	2,580
Total Assets	5,765,815	5,330,047
 Liabilities and Net Position		
Liabilities		
Accounts Payable and Other Accrued Liabilities	11,730	6,903
Deposits and Refunds Due	174,957	97,604
Unearned Revenue	335,733	360,589
Due to University of Florida Operations and Maintenance Fund	3,356,630	1,879,066
Total Liabilities	3,879,050	2,344,162
Unrestricted Net Position	1,886,765	2,985,885
Total Liabilities and Net Position	\$ 5,765,815	\$ 5,330,047

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA**

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Program Revenue	\$ 12,742,970	\$ 11,350,857
Other Income	3,003,016	1,719,671
Total Operating Revenues	<u>15,745,986</u>	<u>13,070,528</u>
Operating Expenses		
Provision for Doubtful Accounts	72,125	81,313
Bank Service Charges	595,717	508,638
Other Expenses	54,620	62,722
Total Operating Expenses	<u>(722,462)</u>	<u>(652,673)</u>
Net Operating Income	<u>15,023,524</u>	<u>12,417,855</u>
Transfers		
Transfers to the University of Florida Operations and Maintenance Fund	(14,711,522)	(16,119,563)
Transfers to the University of Florida Transfers from Component Units Fund	(1,303,645)	(2,050,781)
Transfers to the University of Florida Foundation	(107,477)	(700,000)
Total Transfers	<u>(16,122,644)</u>	<u>(18,870,344)</u>
Change in Net Position	(1,099,120)	(6,452,489)
Net Position, Beginning of Year	<u>2,985,885</u>	<u>9,438,374</u>
Net Position, End of Year	<u>\$ 1,886,765</u>	<u>\$ 2,985,885</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
JUNE 30, 2019 AND 2018
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash Receipts from Customers	\$ 15,736,397	\$ 13,135,209
Cash Payments to Suppliers of Goods and Services	<u>(642,930)</u>	<u>(575,792)</u>
Net Cash Provided by Operating Activities	<u>15,093,467</u>	<u>12,559,417</u>
Non-Capital Financing Activities		
Payments of Operations and Maintenance Fund Payable	(1,879,066)	(1,338,929)
Due to Operations and Maintenance Fund	3,356,630	1,879,066
Transfers to the University of Florida		
Operations and Maintenance Fund	(14,711,522)	(16,119,563)
Transfers to the University of Florida		
from Component Units Fund	(1,303,645)	(2,050,781)
Transfers to the University of Florida		
Foundation	(107,477)	(700,000)
Transfers to University of Florida - Strategic Fund	(2,200,000)	(991,245)
Transfers from University of Florida - Strategic Fund	<u>3,072,463</u>	<u>7,352,408</u>
Net Cash (Used in) Non-Capital Financing Activities	<u>(13,772,617)</u>	<u>(11,969,044)</u>
Net Increase in Cash and Cash		
 Equivalents	1,320,850	590,373
Cash and Cash Equivalents, Beginning of Year	<u>2,547,408</u>	<u>1,957,035</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,868,258</u>	<u>\$ 2,547,408</u>
<u>Reconciliation of Operating Income (Loss) to Net</u>		
<u>Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ 15,023,524	\$ 12,417,855
Operating Activities:		
Decrease (Increase) in Accounts Receivable	10,039	(183,151)
Decrease (Increase) in Prepaid	2,580	(2,580)
Increase (Decrease) in Accounts Payable	4,827	(1,852)
Increase (Decrease) in Deposits and Refunds Due	77,353	(31,444)
Increase (Decrease) in Unearned Revenue	<u>(24,856)</u>	<u>360,589</u>
Net Cash Provided by Operating		
 Activities	<u>\$ 15,093,467</u>	<u>\$ 12,559,417</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 non-operating according to the following criteria:

- **Operating Revenues**
Include activities that have the characteristics of exchange transactions, such as clinical revenue and contractual revenue.
- **Non-Operating Revenues**
Include activities that have characteristics of non-exchange 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

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. Accounts are sent to a collection agency after 90 days. 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 through contracts with other universities and organizations to provide education for residents. A significant portion of other revenues are derived from the Saint George and Ross University clinical affiliation agreements.

Expenses

Expenses are recognized on the accrual basis of accounting. Payment of non-faculty 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

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, 2019, exceeded federally insured limits of \$250,000 by \$3,614,158. As of June 30, 2019 and June 30, 2018, the carrying amount of the Association's deposits was \$3,868,258 and \$2,547,408, respectively, and the bank balance was \$3,643,676 and \$2,479,682, 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 \$1,371,480 as of June 30, 2019. 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

Note 6 - Related-Party Transactions

During the years ended June 30, 2019 and 2018, the Association transferred \$14,711,522 and \$16,119,563, respectively, to the University of Florida Operations and Maintenance Fund, and \$1,303,645 and \$2,050,781, respectively, to the University of Florida Transfers from Component Units Fund. The Association also transferred \$107,477 and \$700,000 to the UF Foundation during the fiscal years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, \$3,356,630 was due to the University of Florida Operations and Maintenance Fund.

**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**

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, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2019.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described below that we consider to be a significant deficiency:

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
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 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***

2019-01 – Hospital Revenue Allocation

Condition—During our review of the June 2019 hospital allocation, it was noted that the practice plan used the incorrect allocation percentage for eleven months out of the year. This was discovered by management prior to our audit and corrected in the June 2019 payment.

Effect—The use of an incorrect allocation percentage throughout the year resulted in an underpayment of hospital revenues (until the error was identified at year-end) and inaccurate financial reporting for the Association during the year.

Recommendation—We recommend that the Association evaluates their monthly process for preparing the monthly Vet Hospital revenue allocation, and make any necessary changes in the process to ensure that any errors are identified in a timely manner.

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, non-compliance 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 non-compliance 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 23, 2019
Gainesville, Florida

August 23, 2019
Purvis, Gray and Company, LLP
P.O. Box 141270
Gainesville, FL 32614
RE: Internal Control Letter date August 23, 2019

2019-01 – Hospital Revenue Allocation

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Effect—The use of an incorrect allocation percentage throughout the year resulted in an underpayment of hospital revenues (until the error was identified at year-end) and inaccurate financial reporting for the Association during the year.

Recommendation—We recommend that the Association evaluates their monthly process for preparing the monthly Vet Hospital revenue allocation, and make any necessary changes in the process to ensure that any errors are identified in a timely manner.

Management Response to Comment 2019-01 Hospital Revenue Allocation

We have set up a master spreadsheet that lays out all of the revenue categories and what percentage of each category is to be allocated to the Practice Plan versus the Hospital. The Practice Plan Accountant will use this master spreadsheet to create our monthly Vet Hospital revenue allocation so that we ensure that the proper percentage is allocated to appropriate categories. The monthly allocation will be reviewed by the CFO to ensure that the calculations are correct and that corrections are caught before the checks are even cut monthly.