

**GATORCARE HEALTH MANAGEMENT
CORPORATION**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

GATORCARE HEALTH MANAGEMENT CORPORATION
TABLE OF CONTENTS
JUNE 30, 2020 AND 2019

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Required Supplementary Information	
Management's Discussion and Analysis	3 – 6
Basic Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 – 17

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
GatorCare Health Management Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of GatorCare Health Management Corporation (“GatorCare”), a direct support organization and component unit of the University of Florida, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise GatorCare’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

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 GatorCare as of June 30, 2020 and 2019, 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.

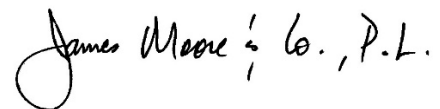
Other Matters

Report on 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 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of GatorCare'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 GatorCare's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 5, 2020

GATORCARE HEALTH MANAGEMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

Introduction

GatorCare Health Management Corporation (“GatorCare”) was incorporated on October 12, 2012, and began operations on January 1, 2013.

The purpose of GatorCare is to coordinate and facilitate the management of the self-insured health insurance plan (the “Plan”) of The University of Florida and its participating affiliated employers, provided that such affiliated employers are organizations exempt from tax under Section 501(a) of the Internal Revenue Code of 1986 and are described in Section 501(c)(3) of the Internal Revenue Code, in such areas as contracting with third-party administrators and network providers, collection of employer and employee contributions, payment of health and pharmacy claims and administrative expenses, fiscal accounting, claims and quality analysis, and other matters to support the orderly administration and management of the Plan.

This section of GatorCare’s annual financial report presents GatorCare’s analysis of its financial performance as of and for the year ended June 30, 2020, with comparative information as of and for the years ended June 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and related note disclosures.

Overview of the Financial Statements

Along with management’s discussion and analysis, the annual financial report includes the independent auditors’ report and the basic financial statements of GatorCare. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements. By referring to the accompanying notes to the financial statements, a broader understanding of issues impacting financial performance can be realized.

GatorCare recognizes revenues and expenses on the statements of revenues, expenses and changes in net position solely for amounts received from participating employers that relate to the administrative functions of GatorCare. All other amounts received from participating employers (referred to as “Employer Funds”) are considered funds held on behalf of the participating employers to be used to pay health and pharmacy claims, certain third-party administrative expenses, and other working capital needs. As such, these amounts are not recognized as revenues and expenses in the accompanying statements of revenues, expenses and changes in net position, but are recorded as agency transactions, with the assets and liabilities associated therewith being reflected on the statements of net position.

Statements of Net Position

The condensed statements of net position present the financial position of GatorCare as of June 30, 2020, 2019 and 2018, and include all assets and liabilities of GatorCare. Assets and liabilities are generally measured using current values. The net position is one indicator of the current financial condition of GatorCare. Changes in net position are an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time.

GATORCARE HEALTH MANAGEMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

The following table presents GatorCare's condensed statements of net position as of June 30, 2020, 2019 and 2018:

<i>(Amounts in thousands)</i>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Cash and cash equivalents	\$ 18,023	\$ 7,922	\$ 9,990
Short-term investments	38,763	36,834	30,348
Other current assets	5,404	8,067	5,863
Capital assets, net	<u>7</u>	<u>7</u>	<u>8</u>
Total assets	<u>62,197</u>	<u>52,830</u>	<u>46,209</u>
Liabilities			
Current liabilities	24,941	21,872	20,343
Long-term liabilities	<u>32,889</u>	<u>28,059</u>	<u>24,535</u>
Total liabilities	<u>57,830</u>	<u>49,931</u>	<u>44,878</u>
Net position			
Net investment in capital assets	7	7	8
Unrestricted	<u>4,360</u>	<u>2,892</u>	<u>1,323</u>
Total net position	<u>\$ 4,367</u>	<u>\$ 2,899</u>	<u>\$ 1,331</u>

Cash and cash equivalents increased in 2020 by \$10.1 million due to net cash provided by operating activities. In 2019, cash and cash equivalents decreased by \$2.1 million primarily due to the purchase of \$5.0 million in short-term investments, partially offset by net cash provided by operating activities of \$2.8 million. See the "Statements of Cash Flows" for more detail.

Short-term investments increased in 2020 by \$1.9 million due to \$1.2 million of interest income earned on the State of Florida Special Purpose Investment Account ("SPIA") and a favorable change in the fair value of the SPIA investment of \$0.7 million. In 2019, short-term investments increased by \$6.5 million due to an additional investment of \$5.0 million in the SPIA investment, \$0.7 million of interest income earned on the SPIA investment, and a favorable change in the fair value of the SPIA investment of \$0.8 million. The minimum balance requirement for SPIA is 60% of the average investment balance for the previous three months. Six-month notice is required to liquidate below this minimum balance.

Other current assets decreased in 2020 by \$2.7 million due to a \$4.0 million decrease in receivables from participating employers partially offset by a \$1.3 million increase in other current assets due to an increase in drug rebate receivables. Other current assets increased in 2019 by \$2.2 million primarily due to an increase in receivables from participating employers.

Current liabilities increased in 2020 by \$3.1 million due to a \$2.2 million increase in claims payable due to the timing of payments to third-party administrators and a \$0.9 million increase in the incurred but not reported ("IBNR") claims reserve. In 2019, current liabilities increased by \$1.5 million primarily due to a \$1.8 million increase in the IBNR claims reserve, partially offset by a decrease of \$0.5 million in claims payable due to the timing of payments to third-party administrators.

Long-term liabilities increased in 2020 by \$4.8 million due to an increase in the contributed working capital balance resulting from a \$22.8 million surplus of Employer Funds over health and pharmacy claims and certain administrative expenses, partially offset by \$18.0 million in funding credits provided to participating employers. In 2019, long-term liabilities increased by \$3.5 million due to an increase in the contributed working capital balance resulting from a \$16.6 million surplus of Employer Funds over health and pharmacy claims and certain administrative expenses, partially offset by \$13.1 million in funding credits provided to participating employers.

GATORCARE HEALTH MANAGEMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Total net position increased by \$1.5 million in 2020 due to net investment income of \$1.9 million, partially offset by an operating loss of \$0.4 million. In 2019, total net position increased by \$1.6 million due to net investment income of \$1.7 million, partially offset by an operating loss of \$0.1 million.

Statements of Revenues, Expenses and Changes in Net Position

The following table presents GatorCare's condensed statements of revenues, expenses and changes in net position for the years ended June 30, 2020, 2019, and 2018:

<i>(Amounts in thousands)</i>	2020	2019	2018
Management fee revenue	\$ 854	\$ 971	\$ 1,468
Administrative expenses, net of reimbursements	1,324	1,078	1,006
Operating income (loss)	(470)	(107)	462
Nonoperating revenues (expenses), net	1,938	1,675	272
Increase in net position	1,468	1,568	734
Net position			
Beginning of year	2,899	1,331	597
End of year	<u>\$ 4,367</u>	<u>\$ 2,899</u>	<u>\$ 1,331</u>

Management fee revenue decreased by \$0.1 million in 2020. Administrative expenses increased by \$0.2 million primarily due to an increase in salaries, benefits and professional fees. Nonoperating revenues increased by \$0.3 million due to an increase in interest income. In 2019, management fee revenue decreased by \$0.5 million primarily due to Employer Funding credits issued to participating employers of \$0.4 million. Administrative expenses increased by \$0.1 million due to a decrease in wellness rebates. Nonoperating revenues increased by \$1.4 million due to an increase in interest income (\$0.3 million) and a favorable change in the fair market value of the SPIA investment (\$1.1 million).

Membership Volumes

The following table reflects the membership volumes within each benefit plan as of June 30, 2020, 2019, and 2018:

	2020	2019	2018
Prime Plus	18,800	18,524	18,128
Prime Exclusive Provider Organization	9,321	9,239	8,836
Premium Preferred Provider Organization	7,521	7,469	7,390
Gator GradCare	3,840	4,025	4,089
Healthy Rewards Health Reimbursement Account	1,171	1,147	1,185
GatorCare Options	791	905	892
Premium Out-of-Area	401	396	352
Healthy Rewards Health Savings Account	1	1	1
Total	<u>41,846</u>	<u>41,706</u>	<u>40,873</u>

GATORCARE HEALTH MANAGEMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Statements of Cash Flows

The statements of cash flows provide additional information concerning GatorCare's financial results by reporting the major sources and uses of cash.

Cash and cash equivalents increased in 2020 by \$10.1 million. The primary source of cash was Employer Funds received to cover health and pharmacy claims and certain administrative expenses. The primary use of cash was the payment of health and pharmacy claims and certain administrative expenses. In 2019, cash and cash equivalents decreased by \$2.1 million. The primary use of cash was the purchase of short-term investments of \$5.0 million and the payment of health and pharmacy claims and certain administrative expenses. The primary source of cash was Employer Funds received to cover health and pharmacy claims and certain administrative expenses.

Contacting Management

This financial narrative is designed to provide the reader with a general overview of GatorCare's financial condition. For any questions about this report, please contact:

PO Box 103574 | Gainesville, FL 32610
1329 SW 16th Street, Suite 2170 | Gainesville, FL 32608

GATORCARE HEALTH MANAGEMENT CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 18,023,471	\$ 7,921,858
Short-term investments	38,762,982	36,834,180
Amounts due from participating employers	583,526	4,608,439
Other current assets	4,820,380	3,457,937
Total current assets	62,190,359	52,822,414
Capital assets, net	6,652	7,358
Total Assets	\$ 62,197,011	\$ 52,829,772
<u>LIABILITIES</u>		
Current liabilities		
Administrative expenses payable	\$ 451,008	\$ 466,293
Liabilities on behalf of participating employers:		
Claims payable and amounts due to participating employers	11,072,131	8,887,324
Incurred but not reported (IBNR) claims reserve	13,418,331	12,518,447
Total current liabilities	24,941,470	21,872,064
Long-term liabilities		
Contributed working capital balance	32,888,673	28,058,228
Total Liabilities	\$ 57,830,143	\$ 49,930,292
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	\$ 6,652	\$ 7,358
Unrestricted	4,360,216	2,892,122
Total Net Position	\$ 4,366,868	\$ 2,899,480

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

GATORCARE HEALTH MANAGEMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating revenues		
Management fee revenue	\$ 854,445	\$ 971,008
Operating expenses		
Administrative expenses, net of reimbursements of \$310,000 and \$310,029, respectively	1,324,379	1,078,297
Operating loss	(469,934)	(107,289)
Nonoperating revenues		
Net investment income	1,937,322	1,675,851
Increase in net position	1,467,388	1,568,562
Net position , beginning of year	2,899,480	1,330,918
Net position , end of year	\$ 4,366,868	\$ 2,899,480

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

GATORCARE HEALTH MANAGEMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from participating employers	\$ 198,610,287	\$ 194,978,022
Cash received from Magellan for pharmacy rebates	11,862,747	6,319,874
Administrative expense rebate received from Florida Blue	310,000	310,029
Administrative expenses paid	(1,648,958)	(1,232,222)
Payments of health and pharmacy claims	(199,076,983)	(197,578,154)
Net cash provided by operating activities	<u>10,057,093</u>	<u>2,797,549</u>
Cash flows from investing activities		
Purchase of short-term investments	-	(5,000,000)
Interest income received	44,520	134,210
Net cash provided by (used in) investing activities	<u>44,520</u>	<u>(4,865,790)</u>
Net increase (decrease) in cash and cash equivalents	10,101,613	(2,068,241)
Cash and cash equivalents, beginning of year	7,921,858	9,990,099
Cash and cash equivalents, end of year	<u>\$ 18,023,471</u>	<u>\$ 7,921,858</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (469,934)	\$ (107,289)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	706	707
Changes in:		
Amounts due from participating employers	4,024,913	(1,471,687)
Other current assets	(1,398,443)	(676,212)
Administrative expenses payable	(15,285)	146,918
Claims payable and amounts due to participating employers	2,184,807	(450,753)
Incurred but not reported (IBNR) claims reserve	899,884	1,833,301
Contributed working capital balance	4,830,445	3,522,564
Total adjustments	<u>10,527,027</u>	<u>2,904,838</u>
Net cash provided by operating activities	<u>\$ 10,057,093</u>	<u>\$ 2,797,549</u>
Supplemental disclosure of noncash investing activities		
Change in fair market value of short-term investments	\$ 720,582	\$ 769,019
Interest income reinvested in short-term investments	1,208,220	716,885
Prior year interest receivable received in current year and reinvested	101,276	45,792
Interest income receivable on short-term investments	68,587	101,276

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

GATORCARE HEALTH MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

The following is a summary of the more significant accounting policies of GatorCare Health Management Corporation, which affect significant elements of the accompanying basic financial statements:

- (a) **Reporting entity**—GatorCare Health Management Corporation (“GatorCare”) is a not-for-profit entity that commenced business January 1, 2013, to coordinate and facilitate the management of the self-insured health insurance plan (the “Plan”) of the University of Florida (the “University”) and its participating affiliated employers, in such areas as contracting with third-party administrators and network providers, collection of employer and employee contributions, payment of health and pharmacy claims and administrative expenses, fiscal accounting, claims and quality analysis, and other matters to support the orderly administration and management of the Plan. GatorCare does not bear any risk of loss with respect to the Plan. GatorCare functions as a direct support organization of the University and is a component unit (for accounting purposes only) of the University.

For financial reporting purposes, GatorCare is considered a special-purpose government engaged only in business-type activities. Accordingly, GatorCare 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. GatorCare's accounting policies conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

- (b) **Measurement focus, basis of accounting, and financial statement presentation**—The basic financial statements of GatorCare have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under these methods, revenues are recorded when earned and expenses are recognized when they are incurred. GatorCare follows the GASB codification.

GatorCare distinguishes operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated from the primary administrative operations of GatorCare. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the administrative operations of GatorCare. All other expenses are reported as nonoperating expenses.

GatorCare recognizes operating revenues and expenses on the statements of revenues, expenses, and changes in net position solely for the amounts received from participating employers that relate to the administrative functions of GatorCare. All other amounts received from participating employers (referred to as “Employer Funds”) are considered funds held on behalf of the participating employers to be used to pay health and pharmacy claims, certain third-party administrative expenses, and other working capital needs. As such, these amounts are not recognized as revenues and expenses in the accompanying statements of revenues, expenses and changes in net position, but are recorded as agency transactions, with the assets and liabilities associated therewith being reflected on the statements of net position at June 30, 2020 and 2019. See Note 3 for additional information on the determination of amounts charged to participating employers.

GATORCARE HEALTH MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

- (c) **Cash and cash equivalents**—Cash and cash equivalents consist of cash held in a demand deposit account with a national bank and investments in a money market fund. Demand deposits are secured up to FDIC limits of \$250,000.

Demand deposit and money market fund balances at June 30, 2020 and 2019, total \$18,023,471 and \$7,924,785, respectively, which is available for the administrative functions of GatorCare and for payments of health and pharmacy claims of the participating employers.

- (d) **Short-term investments and fair value measurements**—Funds are invested in the Special Purpose Investment Account (“SPIA”) within the Florida Treasury Investment Pool (“FTIP”). This is a pool of investments whereby GatorCare owns a share of the pool, not the underlying securities.

Investments are recorded at fair value. Interest, dividends, and gains and losses on investments, both realized and unrealized, are included in net investment income on the statements of revenues, expenses and changes in net position.

GatorCare categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs (see Note 2).

- (e) **Amounts due from participating employers**—Included in amounts due from participating employers are accrued receivables of Employer Funds.
- (f) **Other current assets**—Included in other current assets are accrued receivables primarily comprised of earned rebates from third-party administrators. Rebate accruals from third party-administrators are estimated based on rebate terms and historical payments received. Estimated rebate receivables of \$4,745,000 and \$3,260,000 were included in other current assets in the accompanying statements of net position as of June 30, 2020 and 2019, respectively. Actual rebates received subsequent to June 30, 2019, but related to claims incurred as of and for the year then ended, were approximately \$4,848,000.
- (g) **Capital assets**—Each capital item with an individual purchase price of \$2,000 or more and a useful life of at least two years is considered to be a capital asset. Capital assets are recorded at historical cost at date of purchase. Routine maintenance and repairs are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related depreciable assets. The useful life of furniture is 15 years.
- (h) **Claims payable and amounts due to participating employers**—Claims payable and amounts due to participating employers reflects liabilities of the organization for which invoices have been received from the two third-party administrators for claims activity incurred and reported and wellness rebates and other payables due to participating employers. Amounts due to participating employers were approximately \$1,452,000 and \$939,000 at June 30, 2020 and 2019, respectively.

GATORCARE HEALTH MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

- (i) **Claims incurred but not reported (“IBNR”)**—The IBNR claims reserve represents management’s best estimate of the amount of future health and pharmacy claims related to services provided in the current accounting period. The IBNR claims reserve model projects claims based upon average historical claims activity, average time to pay claims, and certain studies of the participating employers’ historical claims data. Considerable amount of uncertainty and variability are inherent in this accounting estimate, and accordingly, the subsequent development of these reserves may not conform to the assumptions inherent in the determination. The ultimate liability could be significantly in excess of or less than the amount indicated in the basic financial statements, and it is at least reasonably possible that changes in the estimate in the near term would be material to the basic financial statements.
- (j) **Contributed working capital balance**—The contributed working capital balance represents the cumulative amount of Employer Funds received or earned from the participating employers in excess of health and pharmacy claims and administrative expenses paid or incurred. Each employer’s share of the contributed working capital balance is adjusted for funding credits approved for each participating employer, and the surplus (deficit) of Employer Funds over health and pharmacy claims, and certain administrative expenses which is allocated to the participating employers based on the employers’ percentage share of membership in GatorCare.
- (k) **Income taxes**—On March 13, 2015, GatorCare received approval of tax exempt status from the Internal Revenue Service making the organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. GatorCare files informational tax returns in the U.S. federal jurisdiction. GatorCare’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. GatorCare has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and has determined that there are no uncertain tax positions that would have a material impact on the financial statements of GatorCare.
- (l) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- (m) **Recent accounting pronouncements**—GASB issued Statement No. 84, *Fiduciary Activities* (“GASB No. 84”), in January 2017. GASB No. 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions in GASB No. 84 were originally effective for fiscal years beginning after December 15, 2018.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (“GASB No. 95”). GASB No. 95 provides temporary relief to governments in light of the COVID-19 pandemic by extending the effective dates of

GATORCARE HEALTH MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

certain accounting and financial reporting provisions in Statements and Implementation Guides that were effective for reporting periods beginning after June 15, 2018. This includes GASB No. 84, which is now effective for reporting periods beginning after December 15, 2019. Management is still evaluating the impact of this pronouncement on GatorCare's financial statements.

- (n) **Reclassification of previously issued statement of cash flows**—GatorCare reclassified information presented in the statement of cash flows for the year ended June 30, 2019 to conform to the presentation in the statement of cash flows for the year ended June 30, 2020.

(2) **Short-term Investments:**

Short-term investments are comprised of funds invested in the SPIA within the FTIP. Funds within the FTIP are subject to various risks including credit risk and interest rate risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk can be evaluated based on the rating assigned to an issuer or other counterparty by an independent rating agency. Interest rate risk is the risk that arises for holders of fixed income securities due to fluctuations in interest rates. This risk increases as the time to maturity or duration of these securities increase. The FTIP is not exposed to foreign currency risk as State law and investment policy do not authorize the FTIP to purchase investments in foreign currencies.

GatorCare reported short-term investments in SPIA at fair value totaling \$38,762,982 and \$36,834,180 at June 30, 2020 and 2019, respectively, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. As of June 30, 2020, the SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years and a fair value factor of 1.0291. As of June 30, 2019, the SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years and a fair value factor of 1.0103.

Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. GatorCare relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

The fair value of GatorCare's investment in the SPIA is measured on a recurring basis, which is valued based on GatorCare's share of the pool, using significant unobservable inputs (Level 3), as of June 30, 2020 and 2019.

GATORCARE HEALTH MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(3) Charges to Participating Employers:

GatorCare bills and receives Employer Funds from its participating employers in conjunction with their payroll cycles. These amounts represent the equivalent of funding required to support self-funded plans and equal the sum of estimated health and pharmacy claims, certain third-party administrative costs and changes in the reserve for IBNR claims. GatorCare uses an actuary to determine the adequacy of the Employer Funds on an annual basis. Employer Funds collected during the years ended June 30, 2020 and 2019, totaled \$198,610,287 and \$194,978,022, respectively. Amounts due from participating employers in the statement of net position at June 30, 2020 and 2019 represent Employer Funds due from participating employers. These receivables were subsequently paid by the participating employers and, as such, there is no allowance necessary against amounts due from participating employers at June 30, 2020 and 2019.

Employer Funds received during the years ended June 30, 2020 and 2019, were derived from GatorCare's agreements with the following participating affiliated employers:

- The University,
- Shands Teaching Hospital and Clinics, Inc. ("UF Health Shands"),
- Shands Jacksonville HealthCare, Inc. ("UF Health Jacksonville"),
- The University of Florida Jacksonville Physicians, Inc.,
- University of Florida Investment Corporation, and
- University of Florida Proton Therapy Institute.

All of these organizations are direct support organizations or affiliates of the University. The University organizations include: domestic employees, College of Medicine – Gainesville, College of Medicine – Jacksonville, post doctorates, College of Dentistry, College of Veterinary Medicine residents and interns and graduate assistants.

For the year ended June 30, 2020, Employer Funds from UF Health Shands and UF Health Jacksonville represent approximately 48% and 20%, respectively, of total Employer Funds received. For the year ended June 30, 2019, Employer Funds from UF Health Shands and UF Health Jacksonville represent approximately 49% and 20%, respectively, of total Employer Funds received.

(4) Capital Assets:

A summary of changes in capital assets during the year ended June 30, 2020, is as follows:

	Balance at June 30, 2019	Additions	Balance at June 30, 2020
Furniture	\$ 10,596	\$ -	\$ 10,596
Accumulated depreciation	(3,238)	(706)	(3,944)
Capital assets, net	\$ 7,358	\$ (706)	\$ 6,652

GATORCARE HEALTH MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Capital Assets:** (Continued)

A summary of changes in capital assets during the year ended June 30, 2019, is as follows:

	Balance at June 30, 2018	Additions	Balance at June 30, 2019
Furniture	\$ 10,596	\$ -	\$ 10,596
Accumulated depreciation	<u>(2,531)</u>	<u>(707)</u>	<u>(3,238)</u>
Capital assets, net	<u>\$ 8,065</u>	<u>\$ (707)</u>	<u>\$ 7,358</u>

Depreciation expense was \$706 and \$707 for the years ended June 30, 2020 and 2019, respectively.

(5) **Health and Pharmacy Claims Paid:**

GatorCare contracts with third-party administrators for processing of health and pharmacy claims. For the years ended June 30, 2020 and 2019, health and pharmacy claims paid to third-party administrators totaled \$199,076,983 and \$197,578,154, respectively.

(6) **Administrative Expenses:**

The University and UF Health Shands perform various administrative functions on behalf of GatorCare, and GatorCare is billed for the related costs from these entities. For the years ended June 30, 2020 and 2019, total administrative expenses, net of reimbursements with the University and UF Health Shands was \$1,324,379 and \$1,078,297, respectively. As of June 30, 2020 and 2019, approximately \$374,000 and \$419,000, respectively, was due to UF Health Shands, and is included in administrative expenses payable on the statements of net position.

(7) **Risks and Uncertainties—COVID-19:**

During the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. GatorCare cannot reasonably estimate the length or severity of this pandemic, and cannot anticipate the impact on its financial results or results of operations for future periods. Because GatorCare coordinates and facilitates the management of the Plan for participating employers and does not provide healthcare to the Plan's participants, management has determined that there will not be a significant impact to GatorCare related to the health impacts of COVID-19.

**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**

To the Board of Directors,
GatorCare Health Management Corporation:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of GatorCare Health Management Corporation, which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GatorCare Health Management Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GatorCare Health Management Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of GatorCare Health Management Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

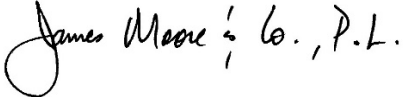
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GatorCare Health Management Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
October 5, 2020