

2021

Florida Veterinary Medicine Faculty Association, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2021

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

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

JUNE 30, 2021

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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 financial statements of the Florida Veterinary Medicine Faculty Association, Inc. (the Association), a component unit of the University of Florida, which comprise the statements of net position as of June 30, 2021 and 2020, 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.

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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, 2021 and 2020, 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 10, 2021, 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 the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



August 10, 2021
Gainesville, Florida

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2021 AND 2020 (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, 2021. The discussion and analysis of the Association's financial statements provides an overview of its financial activities for the year, which ended June 30, 2021. 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 \$7,366,804 increase in net position in FY 2021. This is a net increase of \$5,790,538 from the prior year change in net position due to an increase in total net operating income of \$3,391,017 or 20.9% and a decrease in total transfers of \$2,399,521 or 16.4%. There was a \$3,490,944 or 20.5% increase in operating revenue and a \$99,927 or 12.6% increase in operating expenses from the prior year. This is due to increased banking fees from increased revenue.

During FY 2021, the Hospital hired new faculty and staff and implemented a 2-3% fee increase in July 2020. The Small Animal Hospital saw an increase of 4,771 cases, or 11.78% and the Large Animal Hospital saw an increase of 33 cases, or 1.47% between FY 2020 and FY 2021. This was due to the fact that both hospitals remained open during the entire fiscal year. In FY 2020, both hospitals saw only urgent/emergent cases for two months out of the year because of the COVID-19 pandemic. The Ocala Clinic saw an increase of 901 cases, or 11.27% from FY 2020 to FY 2021.

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

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)

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.

FINANCIAL ANALYSIS OF THE FVMFA

Assets

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Cash and Cash Equivalents	\$ 6,378,808	\$ 4,142,099	\$ 2,236,709	54.0%
Due from UF Strategic Fund	6,500,000	1,371,480	5,128,520	373.9%
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$129,982 and \$108,225 for 2021 and 2020, Respectively	<u>557,409</u>	<u>465,198</u>	<u>92,211</u>	19.8%
Total Assets	<u><u>\$ 13,436,217</u></u>	<u><u>\$ 5,978,777</u></u>	<u><u>\$ 7,457,440</u></u>	124.7%

At June 30, 2021, the total of the Association's assets was \$13,436,217. Two of the Association's largest assets are cash and cash equivalents, which increased by \$2,236,709 or 54.0% and due from UF strategic fund, which increased by \$5,128,520 or 373.9%. In general, cash is kept low due to the agreement to transfer all excess cash into the University's Strategic Fund each quarter. As cash increased throughout FY 2021, the Association move the funds over to the due from UF strategic fund in order to grow that balance and keep the cash balance at a reasonable level.

FY 2021 also brought about an increase in our net accounts receivable balance of \$92,211 or 19.8% from the prior year. This increase is due to having higher outstanding client balances at the end of FY 2021.

Liabilities

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Accounts Payable and Other Accrued Liabilities	\$ 13,508	\$ 8,149	\$ 5,359	65.8%
Deposits and Refunds Due	125,531	164,671	(39,140)	-23.8%
Unearned Revenue	626,750	543,473	83,277	15.3%
Due to University of Florida Operations and Maintenance Fund	<u>1,840,593</u>	<u>1,799,453</u>	<u>41,140</u>	2.3%
Total Liabilities	<u><u>\$ 2,606,382</u></u>	<u><u>\$ 2,515,746</u></u>	<u><u>\$ 90,636</u></u>	3.6%

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)

Accounts payable and other accrued liabilities increased by \$5,359 or 65.8%. 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 2021 revenue from outside sources was higher than fourth quarter 2020.

Deposits and refunds due decreased by \$39,140 or 23.8%. The amount of outstanding client credit balances was lower at the end of FY 2021 than FY 2020.

Unearned revenue increased by \$83,277 or 15.3%. In FY 2021, there were multiple early payments made on contracts. At the end of FY 2021, the Association had received payments for multiple contract invoices that ran over FY 2021 and into FY 2022. 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 \$1,799,453 to \$1,840,593 or 2.3%. The hospital portion of June revenue is paid in the subsequent month after it is due and, therefore, accrued as a liability on the Association's financial statements. A year-end calculation is done to ensure all revenue has been captured for the year.

Current Ratio

The Association's current assets of \$13,436,217 were more than sufficient to cover the current liabilities of \$2,606,382. This produced a current ratio for FY 2021 of 5.16 to 1. This is higher than the current ratio for last fiscal year which was 2.38 to 1.

Net Position

Net position totaled \$10,829,835, which represents 1,216% of total operating expenditures during FY 2021. Last year, net position of \$3,463,031 represented 438% of FY 2020 operating expenditures.

Net position increased by \$7,366,804 during FY 2021. This increase is due to an increase of 20.5% in revenues and a decrease of 16.4% in transfers.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)

Income Statement

	2021	2020	Increase (Decrease)	Percent Change
Operating Revenues:				
Program Revenue	\$ 16,246,149	\$ 13,265,232	\$ 2,980,917	22.5%
Other Income	4,257,380	3,747,353	510,027	13.6%
Total Operating Revenues	20,503,529	17,012,585	3,490,944	20.5%
Operating Expenditures:				
Provision for Doubtful Accounts	72,544	73,838	(1,294)	-1.8%
Bank Service Charges	769,835	653,605	116,230	17.8%
Other Expenses	48,575	63,584	(15,009)	-23.6%
Total Operating Expenses	(890,954)	(791,027)	(99,927)	12.6%
Net Operating Income	19,612,575	16,221,558	3,391,017	20.9%
Transfers				
Transfers to the University of Florida Operations and Maintenance Fund	(10,418,473)	(12,568,414)	2,149,941	-17.1%
Transfers from Component Units Fund	(1,827,298)	(2,076,878)	249,580	-12.0%
Total Transfers	(12,245,771)	(14,645,292)	2,399,521	-16.4%
Change in Net Position	\$ 7,366,804	\$ 1,576,266	\$ 5,790,538	367.4%

Current year operating revenues of \$20,503,529 more than covered the current year operating expenses of \$890,954. 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 \$20,503,529. 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 \$16,246,149 or 79% of operating revenue. The remaining 21% of operating revenues were due to other income.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2021 AND 2020 (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 \$510,027 or 13.6%, due to accepting a few more offshore students and accepting a couple additional residents. Part of this was also an increase due to adjustments to existing contracts from FY 2020 in order to account for the increase in salaries and fringe rates in FY 2021.

Operating expenses were \$890,954 for the current FY compared to \$791,027 in the prior year. This was an increase of \$99,927 or 12.6% from FY 2020.

The provision for doubtful accounts decreased from \$73,838 last year to \$72,544 this year, which is a decrease of \$1,294 or 1.8%.

Bank service charges increased \$116,230 or 17.8% from \$653,605 last year to \$769,835 this year. This was due to increased program revenue in FY 2021.

Other expenses decreased by \$15,009 or 23.6%. This is due in part to the Ocala Clinic now sending some of its laboratory testing out to an outside vendor instead of being performed by our Gainesville lab. We also had a lower Cash Over/Short expense at the end of FY 2021.

Departmental transfers out of the Association decreased by \$2,399,521 or 16.4% this FY over the prior FY. We did see an increase in transfers as it pertains to hospital revenue compared to last FY so fewer donations were needed throughout the year.

Statement of Cash Flows

	2021	2020	Change	Percent Change
Cash Provided by (Used in):				
Operating Activities	\$ 19,611,000	\$ 14,919,133	\$ 4,691,867	31.4%
Investing Activities	-	-	-	-
Capital and Related Financing Activities	-	-	-	-
Non-Capital Financing Activities	(17,374,291)	(14,645,292)	(2,728,999)	18.6%
Net Increase (Decrease) in Cash and				
Cash Equivalents	2,236,709	273,841	1,962,868	716.8%
Cash and Cash Equivalents, Beginning of Year	4,142,099	3,868,258	273,841	7.1%
Cash and Cash Equivalents, End of Year	\$ 6,378,808	\$ 4,142,099	\$ 2,236,709	54.0%

The Association saw an increase of cash of \$2,236,709 during FY 2021.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)

Funds from Operating Activities

Cash provided by operating activities increased by \$4,691,867 or 31.4% from the prior year.

Funds from Non-Capital Financing Activities

Cash used in non-capital financing activities increased by \$2,728,999 or 18.6%. There were less transfers to the University of Florida Operations and Maintenance Fund than in the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2021, the Association had nothing invested in capital assets. The amount represents no change from last year.

Bonds, Notes, and Capital Leases

The Association had no outstanding bonds, notes, or capital leases at the end of 2020 or 2021.

OPERATIONAL KEY INDICATORS

Operational key indicators of the UFVH are caseload and charges.

Caseload for FY 2021 was up 11.77% compared to FY 2020. The Small Animal Hospital as a whole was up 4,771 cases, or 11.78% compared to FY 2020. The Emergency and Critical Care department in the Small Animal Hospital saw an increase of 2,669 cases from 11,776 to 14,445, a 22.66% increase. The Large Animal Hospital as a whole increased 33 cases or 1.47% compared to FY 2020. The Ocala Clinic saw an increase of 901 cases, or 11.27% compared to FY 2020.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)

ECONOMIC FACTORS

- HIPAA: While HIPAA is a major concern for our human hospital counterparts, at the present time, we do not expect this requirement to have any financial implications in the upcoming FY.
- Florida State Allocation: The State of Florida provides a portion of the UF Veterinary Hospital's operation funding. Thus, the economic health and budget priorities of the State will continue to affect the operation resources available to the Teaching Hospital. For FY 2021, the College and Hospitals saw a reduction in Florida State Allocation. The total reduction to the Hospital is 10% and the total reduction to the College is about 2%. For FY 2022, the College and Hospitals will remain the same as FY 2021.
- Spending behavior has continued to remain strong. Caseload increased by 11.77%. Caseload has picked up to normal levels in FY 2021 after a slower FY 2020. A 2-3% fee increase was implemented in July 2020.
- 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 downturn. The companion animal sector is viewed as more recession proof than the large animal racehorse 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.
- 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 2021, 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, 2021 AND 2020
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	2021	2020
Assets		
Cash and Cash Equivalents	\$ 6,378,808	\$ 4,142,099
Due from University of Florida Strategic Fund	6,500,000	1,371,480
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$129,982 and \$108,225 for 2021 and 2020, Respectively	557,409	465,198
Total Assets	13,436,217	5,978,777
 Liabilities and Net Position		
Liabilities		
Accounts Payable and Other Accrued Liabilities	13,508	8,149
Deposits and Refunds Due	125,531	164,671
Unearned Revenue	626,750	543,473
Due to University of Florida Operations and Maintenance Fund	1,840,593	1,799,453
Total Liabilities	2,606,382	2,515,746
 Unrestricted Net Position	10,829,835	3,463,031
 Total Liabilities and Net Position	\$ 13,436,217	\$ 5,978,777

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA**

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Program Revenue	\$ 16,246,149	\$ 13,265,232
Other Income	4,257,380	3,747,353
Total Operating Revenues	<u>20,503,529</u>	<u>17,012,585</u>
Operating Expenses		
Provision for Doubtful Accounts	72,544	73,838
Bank Service Charges	769,835	653,605
Other Expenses	48,575	63,584
Total Operating Expenses	<u>(890,954)</u>	<u>(791,027)</u>
Net Operating Income	<u>19,612,575</u>	<u>16,221,558</u>
Transfers		
Transfers to the University of Florida Operations and Maintenance Fund	(10,418,473)	(12,568,414)
Transfers to the University of Florida from Component Units Fund	<u>(1,827,298)</u>	<u>(2,076,878)</u>
Total Transfers	<u>(12,245,771)</u>	<u>(14,645,292)</u>
Change in Net Position	7,366,804	1,576,266
Net Position, Beginning of Year	<u>3,463,031</u>	<u>1,886,765</u>
Net Position, End of Year	<u>\$ 10,829,835</u>	<u>\$ 3,463,031</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
JUNE 30, 2021 AND 2020
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash Receipts from Customers	\$ 20,382,911	\$ 17,197,080
Cash Payments to Suppliers of Goods and Services	(813,051)	(720,770)
Cash Receipts on Behalf of the Hospital	20,246,736	16,920,981
Cash Payments to the Hospital	<u>(20,205,596)</u>	<u>(18,478,158)</u>
Net Cash Provided by Operating Activities	<u>19,611,000</u>	<u>14,919,133</u>
Non-Capital Financing Activities		
Transfers to the University of Florida Operations and Maintenance Fund	(10,418,473)	(12,568,414)
Transfers to the University of Florida from Component Units Fund	(1,827,298)	(2,076,878)
Transfers to University of Florida - Strategic Fund	<u>(5,128,520)</u>	<u>-</u>
Net Cash (Used in) Non-Capital Financing Activities	<u>(17,374,291)</u>	<u>(14,645,292)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,236,709	273,841
Cash and Cash Equivalents, Beginning of Year	<u>4,142,099</u>	<u>3,868,258</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,378,808</u>	<u>\$ 4,142,099</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ 19,612,575	\$ 16,221,558
Operating Activities:		
Decrease (Increase) in Accounts Receivable	(92,211)	60,879
Increase (Decrease) in Accounts Payable	5,359	(3,581)
Increase (Decrease) in Deposits and Refunds Due	(39,140)	(10,286)
Increase (Decrease) in Unearned Revenue	83,277	207,740
Increase (Decrease) in Due to University of Florida Operations and Maintenance Fund	<u>41,140</u>	<u>(1,557,177)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 19,611,000</u>	<u>\$ 14,919,133</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 and 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 eighteen months, and all collection efforts have been exhausted.

Revenues

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

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

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

Expenses

Expenses are recognized on the accrual basis of accounting. Payment of 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, 2021 and 2020, exceeded federally insured limits of \$250,000 by \$5,895,021 and \$3,680,619, respectively. As of June 30, 2021 and 2020, the carrying amount of the Association's deposits was \$6,378,808 and \$4,142,099, respectively, and the bank balance was \$6,145,021 and \$3,930,619, 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 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 \$6,500,000 and \$1,371,480 as of June 30, 2021 and 2020, respectively. 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.

Note 6 - Related-Party Transactions

During the years ended June 30, 2021 and 2020, the Association transferred \$10,418,473 and \$12,568,414, respectively, to the University of Florida Operations and Maintenance Fund, and \$1,827,298 and \$2,076,878, respectively, to the University of Florida Transfers from Component Units Fund.

As of June 30, 2021 and 2020, \$1,840,593 and \$1,799,453, respectively, 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, which comprise the statement of net position as of June 30, 2021, 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 August 10, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

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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***

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 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 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.



August 10, 2021
Gainesville, Florida

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