

2021

Faculty Associates, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2021

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

**FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA**

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Faculty Associates, Inc.
Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows of Faculty Associates, Inc. (the Corporation), a component unit of the University of Florida, as of and for the years ended June 30, 2021 and 2020, and related notes to the 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 the 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 audit. We conducted our audit 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 audit 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 risk 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 Corporation'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 Corporation'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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Board of Directors
Faculty Associates, 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 Corporation as of June 30, 2021 and 2020, and the changes in financial position, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary information on page 12 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2021 on our consideration of the Corporation's internal control over financial reporting and 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 Corporation'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 Corporation's internal control over financial reporting and compliance.



September 13, 2021
Gainesville, Florida

**MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

This section of the Faculty Associates, Inc. (the Corporation) Annual Report presents management’s discussion and analysis of the Corporation’s financial performance during the fiscal year ended June 30, 2021. The discussion and analysis of the Corporation’s financial statements provides an overview of its financial activities for the year ended June 30, 2021. The discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

While maintaining its financial health is crucial to the long-term viability of the Corporation, the primary mission of the Corporation is to bill and collect clinical professional fees to fund the educational, clinical, and research missions of the College of Dentistry of the University of Florida. Therefore, net position is accumulated only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs of the College of Dentistry.

FINANCIAL HIGHLIGHTS

- Professional fees increased by \$4,397,911 or 25.29%
- Cash decreased by \$233,798 or 1.57%
- The net accounts receivable increased by \$953,297 or 34.42%

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements (the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows), prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis—Public Colleges and Universities*, as amended by GASB Statement Nos. 37 and 38. These statements include all assets and liabilities using the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE CORPORATION

ASSETS

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>	<u>Percent of 2021 Total</u>
Cash	\$ 14,632,304	\$ 14,866,102	\$ (233,798)	(1.57%)	79.72%
Net Accounts Receivable	3,722,537	2,769,240	953,297	34.42%	20.28%
Total Assets	<u>\$ 18,354,841</u>	<u>\$ 17,635,342</u>	<u>\$ 719,499</u>	4.08%	<u>100.00%</u>

During fiscal year 2021, total assets were \$18,354,841. The Corporation’s largest asset is cash in the bank. The total gross accounts receivable increased by \$803,085; the program disallowances increased by \$348,566; and the allowance for un-collectibles decreased by \$498,778. Net accounts receivable increased from \$2,769,240 to \$3,722,537 for an increase of \$953,297 or 34.42%.

The cash in the bank decreased by \$233,798 or 1.57%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Liabilities are comprised of prepayments for future care and a small percentage of patient credits. Total liabilities were \$350,963 and \$308,214 as of June 30, 2021 and 2020, respectively. This represents an increase of \$42,749 or 13.87% from the previous year.

Total Net Position

The total net position was \$18,003,878 and \$17,327,128 as of June 30, 2021 and 2020, respectively. This reflects an increase of \$676,750 or 3.91% from the prior year.

Current Ratio

The Corporation's current assets of \$18,354,841 were sufficient to cover current liabilities of \$350,963, as the current ratio was 52.30 and 57.22 as of June 30, 2021 and 2020, respectively.

INCOME STATEMENT

Operating Revenues

Gross operating revenue was \$24,119,246 for the fiscal year ended June 30, 2021, as compared to \$19,049,968 for the previous fiscal year, representing an increase of \$5,069,278 or 26.61%. Patient fees accounted for 100% of this total.

Operating Expenses

All operating expenses are now processed through related University funds, with the exception of credit card fees and the provision for bad debts. Operating expenses remained comparable year over year at \$412,889 versus \$319,819 for the fiscal years ended June 30, 2021 and 2020, respectively.

Transfers

A total of \$20,719,752 was transferred from the Corporation to the related College of Dentistry accounts to pay salaries of clinical staff and all other operating expenses. This is a decrease of \$1,310,248 or 5.95% over the previous year.

Summary

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Income	\$ 21,809,391	\$ 17,394,910	\$ 4,414,481	25.38%
Total Expense	(412,889)	(319,819)	(93,070)	29.10%
Transfers (out)	<u>(20,719,752)</u>	<u>(22,030,000)</u>	<u>1,310,248</u>	5.95%
Change in Net Position	<u>\$ 676,750</u>	<u>\$ (4,954,909)</u>	<u>\$ 5,631,659</u>	113.66%

The \$676,750 change in net position can be attributed to increases in operating revenues as the college recovers from the COVID-19 pandemic coupled with a significant decrease in transfers and a very modest increase in credit card fees.

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

Statement of Cash Flows

There was a decrease in cash from \$14,866,102 to \$14,632,304 or 1.57%.

Funds from Operating Activities

The amount of net cash from operating activities increased from \$18,279,916 to \$20,465,162 or 11.95%.

DEBT ADMINISTRATION

Total Debt

At June 30, 2021, the Corporation had no outstanding debt.

ECONOMIC FACTORS AND CHANGES IN BUSINESS

The following economic factors are expected to have an impact on operations during the fiscal year that will end June 30, 2022.

- The college is expected to continue to recover from the downturn associated with the COVID-19 pandemic. Some clinics located in areas with high levels of the disease, such as Naples, are expected to recover somewhat more slowly. New COVID-19 variants may have an impact on patient willingness to seek appointments; personnel shortages due to quarantine or isolation due to COVID-19 illness or exposure may affect productivity. Additionally, as with prior years, it is possible that a governor's order could result in clinic closures. Ongoing increased costs for personal protective equipment are expected. However, without any mandatory closures or reduced hours of operation, and if there is not a bigger spike in COVID cases, it is anticipated that the practice plan will come close to pre-pandemic levels in terms of patient care revenues.
- Medicaid supplemental payments for FY21 from the Medicaid Supplemental Program will be received during FY22, increasing net operating revenues by at least \$2.8 million. It is anticipated that in FY22, the second full year of the program, both intergovernmental transfers and payments will be made on a quarterly basis, smoothing the in and out flows associated with the program and aligning the override payments in a timelier manner with reimbursements.
- University mandates continue to impact transfers and clinical expenditures. For instance, transfers have increased in amount as the University has become more stringent about balances in PeopleSoft. Similarly, University mandated raises to minimum wage and other policies will result in increased salary expenditures. These are expected to continue in FY22. Lastly, hiring has become more difficult and may result in the need for higher wages in select titles such as dental assistants and clinical faculty.
- The impact of inflation and other economic factors is expected to negatively impact the Corporation, as people tend to view dentistry as a discretionary health care service reducing demand.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Corporation's Board of Directors, creditors, and the Board of Trustees of the University of Florida with a general overview of the Corporation's finances. If you have questions about this report or need additional information, contact the Corporation's Dean's Office at 352-273-5787.

STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and Cash Equivalents:		
Cash in Banks	\$ 14,632,304	\$ 14,866,102
Accounts Receivable	6,888,440	6,085,355
Program Disallowances	(809,603)	(461,037)
Allowance for Uncollectible	<u>(2,356,300)</u>	<u>(2,855,078)</u>
Accounts Receivable, Net	<u>3,722,537</u>	<u>2,769,240</u>
Total Current Assets	<u>18,354,841</u>	<u>17,635,342</u>
Total Assets	<u>18,354,841</u>	<u>17,635,342</u>
Liabilities and Net Position		
Liabilities - Current Liabilities:		
Prepayments and Refunds Due	<u>350,963</u>	<u>308,214</u>
Total Current Liabilities	<u>350,963</u>	<u>308,214</u>
Total Liabilities	<u>350,963</u>	<u>308,214</u>
Net Position	<u>18,003,878</u>	<u>17,327,128</u>
Total Net Position and Liabilities	<u>\$ 18,354,841</u>	<u>\$ 17,635,342</u>

See accompanying notes.

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

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Professional Fees (Net of Bad Debts of \$2,330,647 for 2021 and \$1,659,280 for 2020)	\$ 21,788,599	\$ 17,390,688
Total Operating Revenues	<u>21,788,599</u>	<u>17,390,688</u>
Operating Expenses		
Credit Card Fees	412,889	319,819
(Total Operating Expenses)	<u>(412,889)</u>	<u>(319,819)</u>
Net Operating Income	<u>21,375,710</u>	<u>17,070,869</u>
Non-Operating Revenues		
Interest Income	20,792	4,222
Total Non-Operating Revenues	<u>20,792</u>	<u>4,222</u>
Income Before Transfers	<u>21,396,502</u>	<u>17,075,091</u>
Transfers		
UF - Transfers from Component Unit Fund (171)	(20,719,752)	(22,030,000)
(Total Transfers)	<u>(20,719,752)</u>	<u>(22,030,000)</u>
Change in Net Position	676,750	(4,954,909)
Net Position, Beginning of Year	<u>17,327,128</u>	<u>22,282,037</u>
Net Position, End of Year	<u>\$ 18,003,878</u>	<u>\$ 17,327,128</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Receipts from Professional Fees	\$ 20,878,051	\$ 18,599,735
Payments for Vendors	(412,889)	(319,819)
Net Cash Provided by (Used in) Operating Activities	<u>20,465,162</u>	<u>18,279,916</u>
Cash Flows from Non-Capital Financing Activities		
Payments to UF - Transfers from Component Unit Fund (171)	(20,719,752)	(20,530,000)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(20,719,752)</u>	<u>(20,530,000)</u>
Cash Flows from Investing Activities		
Interest Received	20,792	4,222
Net Cash Provided by (Used in) Non-Capital Investing Activities	<u>20,792</u>	<u>4,222</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(233,798)	(2,245,862)
Cash and Cash Equivalents, Beginning of Year	<u>14,866,102</u>	<u>17,111,964</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,632,304</u>	<u>\$ 14,866,102</u>
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ 21,375,710	\$ 17,070,869
Adjustments to Reconcile Operating Income (Loss) to Cash Flows Provided by (Used in) Operating Activities:		
Decrease (Increase) in Accounts Receivable, Net	(953,297)	1,198,047
Increase (Decrease) in Prepayments and Refunds	42,749	11,000
Net Cash Provided by (Used in) Operating Activities	<u>\$ 20,465,162</u>	<u>\$ 18,279,916</u>
<u>Non-Cash Activities</u>		
Transfer of Funds from University of Florida Strategic Fund Directly to UF - Transfers from Component Unit Fund (171)	\$ -	\$ 1,500,000

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA**

Note 1 - Reporting Entity

Faculty Associates, Inc. (the Corporation) is a not-for-profit corporation formed by the faculty at the University of Florida College of Dentistry and activated in 1998. The Corporation performs billing and collection of professional fees associated with the practice of dentistry at the University of Florida College of Dentistry. The Corporation was formed primarily for the purpose of enhancing the quality of dental education at the University of Florida and is a component unit of the University of Florida.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are reported on the accrual basis of accounting. These financial statements are entirely those of the Corporation alone and, accordingly, are not intended to present the financial position or the results of operations of the University of Florida. The Corporation 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 Corporation is considered a special purpose government engaged only in business-type activities.

Classification of Revenues

The Corporation 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.
- **Non-Operating Revenues**
Include activities that have characteristics of non-exchange transactions, such as investment income.

Net Position

The Corporation’s net position is classified as follows:

- **Unrestricted**
The Unrestricted component of net position represents funds that are not restricted for any purpose and available for current operations. All of the components of net position for the Corporation are considered unrestricted.

Cash and Cash Equivalents

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

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.

NOTES TO FINANCIAL STATEMENTS
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA

The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

Accounts are considered past due after 120 days and are to be sent to a collection agency at that time. Accounts totaling \$798,133 and \$859,860 have been sent to collection agencies during the years ended June 30, 2021 and 2020, respectively. It is the Corporation's policy to charge off all uncollectible accounts receivable that become two and one-half years old.

Revenues

Revenues are derived principally from professional fees charged to patients through the faculty practice, graduate, and undergraduate clinic of the University of Florida Health Science Center and the University of Florida Dental Centers at St. Petersburg, Hialeah, Naples, and Wildlight in Yulee, FL. Professional fees are recorded on the accrual basis of accounting at the estimated net realizable amounts to be received from patients, third-party payers, and others for services rendered.

Expenditures

Expenditures are recognized on the accrual basis of accounting. Payment of salaries and purchases of equipment and supplies are accomplished through the University of Florida Transfers from Component Units Fund.

Donated Services

The Corporation occupies space at the University of Florida College of Dentistry and is assisted by employees of the University. These expenses are paid out of component unit funds that are reported outside of the Faculty Practice.

Income Taxes

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

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

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 disclosures 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 could differ from those estimates.

**NOTES TO FINANCIAL STATEMENTS
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA**

Concentration of Credit Risk

Substantially all of the Corporation's receivables are unsecured and a significant portion of the Corporation's revenues are subject to contractual arrangements with third parties. Significant changes to the provisions of those contracts could have a material effect on the Corporation's profitability.

Note 3 - Cash and Cash Equivalents

At year-end, the carrying amount of the Corporation's deposits was \$14,632,304 and the bank balance was \$14,655,144 as of June 30, 2021. The Corporation's deposits were \$14,866,102 and the bank balance was \$14,975,292 as of June 30, 2020. All deposits of the Corporation are maintained in public qualified depositories and fully insured, as defined under Florida Statutes Chapter 280.

Note 4 - Accounts Receivable Allowance

Activity relating to the allowance for uncollectible accounts for the years ended June 30, 2021 and 2020, is summarized as follows:

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 3,316,115	\$ 3,890,068
Provision for Bad Debts	2,330,647	1,659,280
Write-Offs	(2,501,807)	(2,216,791)
Change in Program Disallowances	(81,093)	(113,952)
Recoveries	<u>102,041</u>	<u>97,510</u>
Ending Balance	<u>\$ 3,165,903</u>	<u>\$ 3,316,115</u>
Shown in Statement of Net Position as	<u>2021</u>	<u>2020</u>
Program Disallowance	\$ 809,603	\$ 461,037
Allowance for Uncollectibles	<u>2,356,300</u>	<u>2,855,078</u>
Total	<u>\$ 3,165,903</u>	<u>\$ 3,316,115</u>

Note 5 - Related-Party Transactions

During the years ended June 30, 2021 and 2020, the Corporation transferred \$20,719,752 and \$22,030,000, respectively, to the University of Florida Transfers from Component Unit Fund.

Note 6 - Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and tenants' legal liability for which the Corporation carries insurance. The University of Florida Self Insurance Programs provide 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 College of Dentistry.

Note 7 - COVID-19

A national emergency was declared by the President of the United States in response to the COVID-19 pandemic during fiscal year 2020. The national, state and local economic and social impact of the virus has been significant; however, as new variants of COVID-19 appear, ongoing impacts are difficult to quantify.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
OF TRANSFERS FROM COMPONENT UNIT (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA**

	2021	2020
	Transfers From Component Unit	Transfers From Component Unit
Operating Revenues		
Other Service Income	\$ 6,257,383	\$ 5,547,408
Total Operating Revenues	<u>6,257,383</u>	<u>5,547,408</u>
Operating Expenses		
Salary Supplement and Fringe Benefits:		
Faculty Salaries and Fringe Benefits	6,012,228	5,660,320
Staff Salaries and Fringe Benefits	7,313,391	8,591,906
Part-Time Faculty (OPS)	143,635	100,467
Resident and Graduate Assistants (OPS)	2,833,664	2,775,504
Other Part-Time Employees (OPS)	588,409	564,647
Total Salary Supplement and Fringe Benefits	<u>16,891,327</u>	<u>17,692,844</u>
Clinical Operations:		
Supplies	3,647,726	2,817,990
Outside Laboratory	1,287,666	1,123,493
Other Clinical Operations	126,447	102,080
Total Clinical Operations	<u>5,061,839</u>	<u>4,043,563</u>
Departmental Support:		
Supplies and Printing	494,303	359,022
Travel	91,743	231,718
Dues, Licenses, and Books	101,763	235,956
Equipment	116,501	601,586
Facilities	198,667	130,480
Consulting/External Staffing	1,848,011	743,804
Communications	157,294	96,567
Postage and Freight	155,749	150,425
Repairs and Maintenance	207,483	309,518
Entertainment	46,228	105,544
Insurance	1,593,626	110,580
University Overhead Charges	990,170	940,923
Other Departmental Support	55,878	80,693
Total Departmental Support	<u>6,057,416</u>	<u>4,096,816</u>
(Total Expenses)	<u>(28,010,582)</u>	<u>(25,833,223)</u>
Total Operating (Loss)	<u>(21,753,199)</u>	<u>(20,285,815)</u>
Transfers		
From Component Unit	20,719,752	22,030,000
Total Transfers	<u>20,719,752</u>	<u>22,030,000</u>
Excess of Transfers Over Expenses	(1,033,447)	1,744,185
Net Position, Beginning of Year	3,615,713	1,871,528
Net Position, End of Year	<u>\$ 2,582,266</u>	<u>\$ 3,615,713</u>

**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***

**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**

Board of Directors
Faculty Associates, Inc.
Gainesville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Faculty Associates, Inc. (the Corporation), a component unit of the University of Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 in 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 the 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, non-compliance with which could have a direct and material

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**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***

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 13, 2021
Gainesville, Florida

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