

2023

Florida Veterinary Medicine Faculty
Association, Inc.

Financial Statements and
Independent Auditor's Report

June 30, 2023

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Audit Committee
Florida Veterinary Medicine Faculty Association, Inc.
Gainesville, Florida

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Audit Committee
Florida Veterinary Medicine Faculty Association, Inc.
Gainesville, Florida

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Audit Committee
Florida Veterinary Medicine Faculty Association, Inc.
Gainesville, Florida

INDEPENDENT AUDITOR'S REPORT

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 August 22, 2023, 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 solely 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 22, 2023
Gainesville, Florida

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

This section of the Florida Veterinary Medicine Faculty Association, Inc.'s (the Association) financial statements present management's discussion and analysis of the Association's financial performance during the fiscal year (FY), which ended June 30, 2023. The discussion and analysis of the Association's financial statements provides an overview of its financial activities for the year, which ended June 30, 2023. 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 (UF). 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 UF, the Association handles all of the billing and accounts receivable related to the UF Veterinary Hospitals (UFVH, the Hospital, which includes PETS Clinic and the UFVH @ WEC Clinic) 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 \$2,909,890 decrease in net position in FY 2023. This is a net decrease of \$4,172,003 from the prior year change in net position due to an increase in total transfers of \$6,617,280 or 33.4%. There was a \$2,814,400 or 12.7% increase in operating revenue and a \$369,123 or 35.7% increase in operating expenses from the prior year. The expense increase is made up of \$171,022 in banking fees and the addition of the UFVH @ WEC Clinic short term rent payment which for FY 2023 was \$240,290.

During FY 2023, the Hospital hired new faculty and staff and implemented a 5% fee increase in July 2022. The Small Animal Hospital saw a decrease of 785 cases, or 1.7% and the Large Animal Hospital saw a decrease of 198 cases, or 9.6% between FY 2022 and FY 2023. The PETS Clinic saw a decrease of 503 cases, or 4.7% from FY 2022 to FY 2023. The UFVH @ WEC Clinic saw an increase of 8,906 cases, or 1631.1% between FY 2022 and FY 2023. The UFVH @ WEC Clinic opened on May 26, 2022, so they were only open for one month of FY 2022.

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, 2023 AND 2022 (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>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Cash and Cash Equivalents	\$ 2,709,847	\$ 4,882,969	\$ (2,173,122)	-44.5%
Due from UF Strategic Fund	8,800,000	9,500,000	(700,000)	-7.4%
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$243,517 and \$225,091 for 2023 and 2022, Respectively	1,185,341	736,610	448,731	60.9%
Right-to-Use Lease Asset	370,054	-	370,054	100.0%
Total Assets	<u>\$ 13,065,242</u>	<u>\$ 15,119,579</u>	<u>\$ (2,054,337)</u>	-13.6%

At June 30, 2023, the total of the Association's assets was \$13,065,242. The Association's two largest assets are cash and cash equivalents, which decreased by \$2,173,122 or 44.5% and due from UF strategic fund, which decreased by \$700,000 or 7.4%. In general, cash is kept low due to the agreement to transfer all excess cash into UF's Strategic Fund each quarter. As cash increased throughout FY 2023, the Association moved the funds over to the due from UF strategic fund and kept the cash balance at the bank at a reasonable level.

FY 2023 also brought about an increase in our net accounts receivable balance of \$448,731 or 60.9% from the prior year. This increase is due in part to the addition of the UFVH @ WEC Clinic accounts receivable as well as a couple of outstanding contract payments for services that were rendered in FY 2023, but were not received before the end of the FY. We also had the addition of the Right-to-Use Lease Asset in FY 2023. This is for the use of the PETS Clinic for the next four years. In the past this used to be paid for and held by UF.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

Liabilities

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Accounts Payable and Other Accrued				
Liabilities	\$ 260,293	\$ 16,220	\$ 244,073	1504.8%
Deposits and Refunds Due	123,229	154,486	(31,257)	-20.2%
Unearned Revenue	447,678	593,809	(146,131)	-24.6%
Due to University of Florida				
Operations and Maintenance Fund	2,642,503	2,226,199	416,304	18.7%
Due to University of Florida				
From Component Units Fund	39,427	36,917	2,510	6.8%
Lease Liability Due Within One Year	93,485	-	93,485	100.0%
Lease Liability Due in More than One Year	<u>276,569</u>	<u>-</u>	<u>276,569</u>	100.0%
Total Liabilities	<u>\$ 3,883,184</u>	<u>\$ 3,027,631</u>	<u>\$ 855,553</u>	28.3%

Accounts payable and other accrued liabilities increased by \$244,073 or 1504.8%. This increase is due to the addition of the short term UFVH @ WEC Clinic rent payment that was not paid until early July.

Deposits and refunds due decreased by \$31,257 or 20.2%. The amount of outstanding client credit balances was lower due to having fewer deposits for inpatients at the end of FY 2023 than FY 2022.

Unearned revenue decreased by \$146,131 or 24.6%. At the end of FY 2023, the Association had received fewer payments for contract invoices that ran over FY 2023 and into FY 2024. 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 \$2,226,199 to \$2,642,503 or 18.7%. 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.

Lease Liability was added in FY 2023 for the PETS Clinic multi-year rental contract. This rental contract used to be paid and held by UF in prior years. This rental contract runs through 2027.

Current Ratio

The Association's current assets of \$12,695,188 were more than sufficient to cover the current liabilities of \$3,606,615. This produced a current ratio for FY 2023 of 3.52 to 1. This is lower than the current ratio for last FY, which was 5.00 to 1.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

Net Position

Net position totaled \$9,182,058, which represents 655% of total operating expenditures during FY 2023. Last year, net position of \$12,091,948 represented 1170% of FY 2022 operating expenditures.

Net position decreased by \$2,909,890 during FY 2023. This decrease is in large part due to the increase of 33.4% in transfers during the fiscal year.

Income Statement

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Program Revenue	\$ 20,114,133	\$ 17,637,849	\$ 2,476,284	14.0%
Other Income	<u>4,809,051</u>	<u>4,470,935</u>	<u>338,116</u>	7.6%
Total Operating Revenues	<u>24,923,184</u>	<u>22,108,784</u>	<u>2,814,400</u>	12.7%
Operating Expenditures:				
Provision for Doubtful Accounts	107,125	154,015	(46,890)	-30.4%
Bank Service Charges	1,023,093	852,071	171,022	20.1%
Other Expenses	<u>272,198</u>	<u>27,207</u>	<u>244,991</u>	900.5%
Total Operating Expenses	<u>(1,402,416)</u>	<u>(1,033,293)</u>	<u>(369,123)</u>	35.7%
Net Operating Income	<u>23,520,768</u>	<u>21,075,491</u>	<u>2,445,277</u>	11.6%
Transfers				
Transfers to the University of Florida Operations and Maintenance Fund	(23,436,060)	(16,936,795)	(6,499,265)	38.4%
Transfers from Component Units Fund	<u>(2,994,598)</u>	<u>(2,876,583)</u>	<u>(118,015)</u>	4.1%
Total Transfers	<u>(26,430,658)</u>	<u>(19,813,378)</u>	<u>(6,617,280)</u>	33.4%
Change in Net Position	<u>\$ (2,909,890)</u>	<u>\$ 1,262,113</u>	<u>\$ (4,172,003)</u>	-330.6%

Current year operating revenues of \$24,923,184, more than covered the current year operating expenses of \$1,402,416. 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 \$24,923,184. 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 \$20,114,133 or 81% of operating revenue. The remaining 19% of operating revenues were due to other income.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2023 AND 2022 (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 \$338,116 or 7.6%, 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 2022 in order to account for the increase in salaries and fringe rates in FY 2023.

Operating expenses were \$1,402,416 for the current FY compared to \$1,033,293 in the prior year. This was an increase of \$369,123 or 35.7% from FY 2022.

The provision for doubtful accounts decreased from \$154,015 last year to \$107,125 this year, which is a decrease of \$46,890 or 30.4%. This is due to Accounts Receivable being collected in a timelier manner.

Bank service charges increased \$171,022 or 20.1% from \$852,071 last year to \$1,023,093 this year. This was due to the addition of the UFVH @ WEC Clinic and an increase in Program Revenue.

Other expenses increased by \$244,991 or 900.5%. This is to the addition of the UFVH @ WEC Clinic short term rent payment which for FY 2023 was \$240,290.

Departmental transfers out of the Association increased by \$6,499,265 or 38.4% this FY over the prior FY. We saw an increase in transfers as it pertains to hospital revenue, as well as needed additional donations compared to last FY to cover staff salaries and increased costs in supply and equipment expenses.

Statement of Cash Flows

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Percent Change</u>
Cash Provided by (Used in):				
Operating Activities	\$ 23,557,536	\$ 21,317,539	\$ 2,239,997	10.5%
Investing Activities	-	-	-	-
Capital and Related Financing Activities	-	-	-	-
Non-Capital Financing Activities	<u>(25,730,658)</u>	<u>(22,813,378)</u>	<u>(2,917,280)</u>	12.8%
Net Increase (Decrease) in Cash and				
Cash Equivalents	(2,173,122)	(1,495,839)	(677,283)	45.3%
Cash and Cash Equivalents, Beginning of Year	<u>4,882,969</u>	<u>6,378,808</u>	<u>(1,495,839)</u>	-23.5%
Cash and Cash Equivalents, End of Year	<u>\$ 2,709,847</u>	<u>\$ 4,882,969</u>	<u>\$ (2,173,122)</u>	-44.5%

The Association saw a decrease of cash of \$2,173,122 during FY 2023.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

Funds from Operating Activities

Cash provided by operating activities increased by \$2,239,997 or 10.5% from the prior year.

Funds from Non-Capital Financing Activities

Cash used in non-capital financing activities increased by \$2,917,280 or 12.8% from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the Association had nothing invested in capital assets. The amount represents no change from last year.

Bonds, Notes, and Capital Leases

As of June 30, 2023, responsibility for the lease of the PETS Clinic was transferred from UF to the Association. The Association has recorded the right-to-use asset and liability in the amount of \$370,054 on the FY 2023 Balance Sheet. The right-to-use asset will be amortized over the remaining 45 months of the lease term, which ends in March of 2027.

OPERATIONAL KEY INDICATORS

Operational key indicators of the UFVH are caseload and charges.

Caseload for FY 2023 was up 12.8% compared to FY 2022. The Small Animal Hospital as a whole was down 785 cases, or -1.7% compared to FY 2022. The Large Animal Hospital as a whole decreased 198 cases or -9.6% compared to FY 2022. The PETS Clinic saw a decrease of 503 cases, or -4.7% compared to FY 2022. The UFVH @ WEC Clinic as a whole saw an increase of 8,906 cases, or 1631.1% compared to FY 2022. The UFVH @ WEC Clinic was only open for one month in FY 2022, as they opened their doors on May 26, 2022.

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 stopped providing a portion of the UF Veterinary Hospital's operation funding in FY 2022. For FY 2023, the Hospitals will continue to not receive funding from the State of Florida.
- Spending behavior has continued to remain strong. Caseload increased by 12.8%. A 5% to 7.5% fee increase was implemented in July 2023.

FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

- The entity is subject to the discretionary income available to patient owners to pay for care, which was previously impacted by the overall state and national economic down turn. The companion animal sector is viewed as more recession proof than the large animal race horse sector. Approximately 90% of the operating funds to the Veterinary Hospitals are based on client services. In a tight economy, clients are less willing to pay for high dollar specialty procedures and exams, while at the same time referring veterinarians are more likely to try and hold onto cases to address their own revenue shortfalls, instead of referring for the best possible outcome to the patient. Over the course of the last year, the ATC or Average Transaction Charge, or average client invoice amount, has seen some improvement in some services.
- 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 2023, 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 Treasurer's Office, at (352) 294-4648.

STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	2023	2022
Assets		
Cash and Cash Equivalents	\$ 2,709,847	\$ 4,882,969
Due from University of Florida Strategic Fund	8,800,000	9,500,000
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$243,517 and \$225,091 for 2023 and 2022, Respectively	1,185,341	736,610
Right-to-Use Lease Asset	370,054	-
Total Assets	13,065,242	15,119,579
 Liabilities and Net Position		
Liabilities		
Accounts Payable and Other Accrued Liabilities	260,293	16,220
Deposits and Refunds Due	123,229	154,486
Unearned Revenue	447,678	593,809
Due to University of Florida Operations and Maintenance Fund	2,642,503	2,226,199
Due to the University of Florida from Component Units Fund	39,427	36,917
Lease Liability due Within One Year	93,485	-
Lease Liability due in More than One Year	276,569	-
Total Liabilities	3,883,184	3,027,631
 Unrestricted Net Position	9,182,058	12,091,948
 Total Liabilities and Net Position	\$ 13,065,242	\$ 15,119,579

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA**

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Program Revenue	\$ 20,114,133	\$ 17,637,849
Other Income	4,809,051	4,470,935
Total Operating Revenues	<u>24,923,184</u>	<u>22,108,784</u>
Operating Expenses		
Provision for Doubtful Accounts	107,125	154,015
Bank Service Charges	1,023,093	852,071
Other Expenses	272,198	27,207
Total Operating Expenses	<u>(1,402,416)</u>	<u>(1,033,293)</u>
Net Operating Income	<u>23,520,768</u>	<u>21,075,491</u>
Transfers		
Transfers to the University of Florida Operations and Maintenance Fund	(23,436,060)	(16,936,795)
Transfers to the University of Florida from Component Units Fund	<u>(2,994,598)</u>	<u>(2,876,583)</u>
Total Transfers	<u>(26,430,658)</u>	<u>(19,813,378)</u>
Change in Net Position	(2,909,890)	1,262,113
Net Position, Beginning of Year	<u>12,091,948</u>	<u>10,829,835</u>
Net Position, End of Year	<u>\$ 9,182,058</u>	<u>\$ 12,091,948</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
JUNE 30, 2023 AND 2022
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash Receipts from Customers	\$ 24,189,940	\$ 21,771,582
Cash Payments to Suppliers of Goods and Services	(1,051,218)	(876,566)
Cash Receipts on Behalf of the Hospital	25,847,803	22,075,929
Cash Payments to the Hospital	<u>(25,428,989)</u>	<u>(21,653,406)</u>
Net Cash Provided by Operating Activities	<u>23,557,536</u>	<u>21,317,539</u>
Non-Capital Financing Activities		
Transfers to the University of Florida Operations and Maintenance Fund	(23,436,060)	(16,936,795)
Transfers to the University of Florida from Component Units Fund	(2,994,598)	(2,876,583)
Transfers to University of Florida Strategic Fund	700,000	(3,000,000)
Net Cash (Used in) Non-Capital Financing Activities	<u>(25,730,658)</u>	<u>(22,813,378)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,173,122)	(1,495,839)
Cash and Cash Equivalents, Beginning of Year	<u>4,882,969</u>	<u>6,378,808</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,709,847</u>	<u>\$ 4,882,969</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ 23,520,768	\$ 21,075,491
Operating Activities:		
Decrease (Increase) in Accounts Receivable	(448,731)	(179,201)
Increase (Decrease) in Accounts Payable	244,073	2,712
Increase (Decrease) in Deposits and Refunds Due	(31,257)	28,955
Increase (Decrease) in Unearned Revenue	(146,131)	(32,941)
Increase (Decrease) in Due to University of Florida Operations and Maintenance Fund	416,304	385,606
Increase (Decrease) in Due to University of Florida from Component Units Fund	<u>2,510</u>	<u>36,917</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 23,557,536</u>	<u>\$ 21,317,539</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.

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.

NOTES TO FINANCIAL STATEMENTS
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

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, 2023 and 2022, exceeded federally insured limits of \$250,000 by \$2,193,310 and \$4,397,871, respectively. As of June 30, 2023 and 2022, the carrying amount of the Association’s deposits was \$2,709,847 and \$4,882,969, respectively, and the bank balance was \$2,443,310 and \$4,647,871, 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 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 \$8,800,000 and \$9,500,000 as of June 30, 2023 and 2022, 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 - Leases

As of June 30, 2023, responsibility for the lease of the Pet Emergency Treatment Services (PETS) facility was transferred from the University of Florida to the Association. In accordance with GASB Statement No. 87, a right-to-use asset of \$370,054 has been recorded, along with a lease liability of the same amount. The right-to-use asset will be amortized over the remaining 45 months of the lease term, which ends in March of 2027. A summary of the principal and interest amounts for the remaining lease is as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 93,485	\$ 6,670	\$ 100,155
2025	96,926	5,232	102,158
2026	101,194	3,008	104,202
2027	78,449	737	79,186
Total	\$ 370,054	\$ 15,647	\$ 385,701

NOTES TO FINANCIAL STATEMENTS
FLORIDA VETERINARY MEDICINE FACULTY ASSOCIATION, INC.
GAINESVILLE, FLORIDA

Note 6 - 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 7 - Related-Party Transactions

During the years ended June 30, 2023 and 2022, the Association transferred \$23,436,060 and \$16,936,795, respectively, to the University of Florida Operations and Maintenance Fund, and \$2,994,598 and \$2,876,583, respectively, to the University of Florida Transfers from Component Units Fund.

As of June 30, 2023 and 2022, \$2,642,503 and \$2,226,199, respectively, was due to the University of Florida Operations and Maintenance Fund and \$39,427 and \$36,917, respectively, was due to the University of Florida Transfers from Component Unit 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 statements of net position as of June 30, 2023, 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 22, 2023.

Report on 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 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 or significant deficiencies may exist that were not 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***

Report on 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.

Purvis Gray

August 22, 2023
Gainesville, Florida

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