

**GATORCARE HEALTH MANAGEMENT  
CORPORATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
GatorCare Health Management Corporation:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of GatorCare Health Management Corporation (“GatorCare”), a direct support organization and component unit of the University of Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise GatorCare’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of GatorCare as of June 30, 2022, and the respective changes in financial position and cash flows for the year 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 (GAAS) 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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GatorCare and to meet our other ethical responsibilities, in accordance with the 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 opinion.

#### ***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 GatorCare’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.

### ***Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 GatorCare'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 GatorCare'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 management's discussion and analysis on pages 4 through 6 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, on our consideration of GatorCare's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GatorCare's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida  
October 3, 2022

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Introduction**

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

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

This section of GatorCare’s annual financial report presents GatorCare’s analysis of its financial performance as of and for the year ended June 30, 2022, with comparative information as of and for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and related note disclosures.

**Overview of the Financial Statements**

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

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

**Statements of Net Position**

The condensed statements of net position present the financial position of GatorCare as of June 30, 2022 and 2021, and include all assets and liabilities of GatorCare. Assets and liabilities are generally measured using current values. The net position is one indicator of the current financial condition of GatorCare. Changes in net position are an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time.

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**  
(Continued)

The following table presents GatorCare’s condensed statements of net position as of June 30, 2022 and 2021:

<i>(Amounts in thousands)</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Short-term investments	\$ 3,581	\$ 3,318
Other current assets	26	31
Capital assets, net	2	2
Total assets	3,609	3,351
<b>Liabilities</b>		
Current liabilities	1,407	718
Total liabilities	1,407	718
<b>Net position</b>		
Net investment in capital assets	2	2
Unrestricted	2,200	2,631
Total net position	\$ 2,202	\$ 2,633

Short-term investments increased by \$0.3 million due to interest income earned and reinvested in the Special Purpose Investment Account (“SPIA”). Other current assets decreased slightly due to a decrease in the interest receivable on the SPIA investment. Administrative expenses payable increased by \$0.7 million due to an increase in the credit balance in the cash account. GatorCare’s cash is in a liability position due to credit balances in the account of \$0.8 million and \$0.1 million as of June 30, 2022 and 2021, respectively. As such, the cash credit balances are included in administrative expenses payable in the condensed statements of net position. Total net position decreased by \$0.4 million due to an operating loss of \$0.7 million, partially offset by nonoperating revenues of \$0.3 million.

**Statements of Revenues, Expenses and Changes in Net Position**

The following table presents GatorCare’s condensed statements of revenues, expenses and changes in net position for the years ended June 30, 2022 and 2021:

<i>(Amounts in thousands)</i>	<b>2022</b>	<b>2021</b>
Management fee revenue	\$ 814	\$ 3
Administrative expenses, net of reimbursements	1,503	1,250
Operating loss	(689)	(1,247)
Nonoperating revenues, net	258	609
Decrease in net position	(431)	(638)
Net position		
Beginning of year	2,633	3,271
End of year	\$ 2,202	\$ 2,633

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**  
(Continued)

Management fee revenue increased by \$0.8 million due to a decrease in administrative premium credits issued throughout the year. Administrative expenses increased by \$0.3 million due to a \$0.3 million increase in salaries and benefits. Nonoperating revenues decreased by \$0.4 million due to a decrease in interest income.

**Membership Volumes**

The following table reflects the membership volumes within each benefit plan as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Prime Plus	17,049	17,989
Prime Exclusive Provider Organization (EPO)	9,036	9,285
Premium Preferred Provider Organization (PPO)	8,327	8,226
Gator GradCare	3,847	3,825
Premium Plus	2,682	-
Healthy Rewards Health Reimbursement Account (HRA)	1,130	1,127
GatorCare Options	698	729
Healthy Rewards Health Savings Account (HSA)	546	1
Premium Out-of-Area (OOA)	520	489
Total	<u>43,835</u>	<u>41,671</u>

**COVID-19 Economic Factors**

GatorCare's operations and financial conditions have not been significantly impacted by the continuing effects of COVID-19, which evolved into a global pandemic beginning in early 2020. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. GatorCare cannot reasonably estimate the length or severity of this pandemic, and cannot anticipate the impact on its financial results or results of operations for future periods. Because GatorCare coordinates and facilitates the management of the Plan for participating employers and does not provide healthcare to the Plan's participants, management has determined that there will not be significant impact to GatorCare related to the health impacts of COVID-19.



**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

**ASSETS**

<b>Current assets</b>	
Short-term investments	\$ 3,581,121
Other current assets	<u>25,929</u>
Total current assets	<u>3,607,050</u>
<b>Capital assets, net</b>	<u>2,124</u>
<b>Total Assets</b>	<u><u>3,609,174</u></u>

**LIABILITIES**

<b>Current liabilities</b>	
Administrative expenses payable	<u>1,407,099</u>
<b>Total Liabilities</b>	<u><u>1,407,099</u></u>

**NET POSITION**

<b>Net position</b>	
Net investment in capital assets	2,124
Unrestricted	<u>2,199,951</u>
<b>Total Net Position</b>	<u><u>\$ 2,202,075</u></u>

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

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Operating revenues</b>	
Management fee revenue, net of funding credits of \$631,952	\$ 814,009
<b>Operating expenses</b>	
Administrative expenses, net of reimbursements of \$310,000	<u>1,502,968</u>
Operating loss	<u>(688,959)</u>
<b>Nonoperating revenues</b>	
Net investment income	<u>257,718</u>
Total nonoperating revenues	<u>257,718</u>
<b>Decrease in net position</b>	<u>(431,241)</u>
<b>Net position</b>	
Beginning of year	<u>2,633,316</u>
End of year	<u><u>\$ 2,202,075</u></u>

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

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Cash flows from operating activities</b>	
Cash received from participating employers	\$ 814,009
Administrative expense rebate received from Florida Blue	310,000
Administrative expenses paid	<u>(1,124,009)</u>
Net cash from operating activities	-
 <b>Cash and cash equivalents</b>	
Beginning of year	-
End of year	<u>\$ -</u>
 <b>Reconciliation of operating loss to net cash from operating activities</b>	
Operating loss	<u>\$ (688,959)</u>
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	286
Changes in:	
Administrative expenses payable	<u>688,673</u>
Total adjustments	<u>688,959</u>
<b>Net cash from operating activities</b>	<u>\$ -</u>
 <b>Supplemental disclosure of noncash investing activities</b>	
Interest income reinvested in short-term investments	\$ 263,105
Prior year interest receivable received in current year and reinvested	30,066
Interest income receivable on short-term investments	24,679

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

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2022**

	<u><b>Custodial Funds</b></u>
<u><b>ASSETS</b></u>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 24,776,615
Short-term investments	27,302,525
Other current assets	<u>7,537,376</u>
Total current assets	59,616,516
Assets whose use is restricted	<u>380,000</u>
<b>Total Assets</b>	<u><u>59,996,516</u></u>
<u><b>LIABILITIES</b></u>	
<b>Current liabilities</b>	
Claims payable and amounts due to participating employers	19,246,505
Incurred but not reported (IBNR) claims allowance	<u>19,872,571</u>
Total current liabilities	<u>39,119,076</u>
<b>Total Liabilities</b>	<u><u>39,119,076</u></u>
<u><b>NET POSITION</b></u>	
<b>Fiduciary net position</b>	
Restricted for participating employers	<u><u>\$ 20,877,440</u></u>

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

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Custodial Funds</b>
<b>Additions</b>	
Contributions from participating employers	\$ 226,640,474
Total additions	226,640,474
<b>Deductions</b>	
Health and pharmacy claim expenses, net of rebates	233,646,590
Change in fair value of investments	1,084,387
Total deductions	234,730,977
<b>Decrease in fiduciary net position</b>	(8,090,503)
<b>Fiduciary net position</b>	
Beginning of year	28,967,943
End of year	\$ 20,877,440

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

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

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

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

For financial reporting purposes, GatorCare is considered a special-purpose government engaged only in business-type activities. Accordingly, GatorCare prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. GatorCare’s accounting policies conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”).

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

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

GatorCare recognizes operating revenues and expenses on the statement of revenues, expenses and changes in net position solely for the amounts received from participating employers that relate to the administrative functions of GatorCare.

Contributions received from participating employers are considered funds held on behalf of the participating employers to be used to pay health and pharmacy claims, certain third-party administrative expenses, and other working capital needs and are disclosed in the statement of changes in fiduciary net position. Contributions from participating employers are recognized when premium revenue is earned. The statement of fiduciary net position discloses assets and liabilities that are held on behalf of the participating employers.

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

GatorCare follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, which establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities. GatorCare also follows GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, an amendment to GASB Statement No. 34 for public colleges and universities to allow the use of the guidance for special-purpose governments engaged only in business-type activities, engaged only in government activities, or engaged in both governmental and business-type activities in their separately issued reports.

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

As of June 30, 2022, GatorCare’s cash was in a liability position due to a credit balance in the account of \$785,115 and is included in the administrative expenses payable in the accompanying statement of net position. Thus, there were no demand deposit balances available for the administrative functions of GatorCare. As of June 30, 2022, demand deposits of \$24,371,499 were available for payments of health and pharmacy claims of the participating employers.

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

Investments are recorded at fair value. Direct funds invested in the SPIA are included as short-term investments in the statement of fiduciary net position. Reinvested funds in the SPIA are included in short-term investments in the statement of net position. Unrealized gains/losses are included as deductions or additions in the statement of changes in fiduciary net position. Interest, dividends, and realized gains/losses are included in investment income in the statements of revenues, expenses and changes in net position.

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

(e) **Assets whose use is restricted**—GatorCare entered into an agreement with White Rock USA Protected Cell 43 to provide stop-loss insurance coverage for health claims in excess of certain policy limits. The agreement stipulates that a portion of the premium may be held by GatorCare and segregated in a notional funds withheld account. As of June 30, 2022, GatorCare has withheld \$380,000 in premiums under this agreement. These funds are reported as assets whose use is restricted in the statement of fiduciary net position.

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

(f) **Amounts due from participating employers**—Included in other current assets are accrued receivables of contributions from participating employers disclosed in the statement of fiduciary net position. As of June 30, 2022, \$8,061 was due from participating employers.

(g) **Other current assets**—Included in other current assets in GatorCare’s statement of net position are interest income receivable and prepaid expenses related to administrative expenses. Included in other current assets in the statement of fiduciary net position are accrued receivables primarily comprised of earned rebates from third-party administrators. Rebate accruals from third party-administrators are estimated based on rebate terms and historical payments received. An estimated rebate receivable of \$6,179,500 was included in other current assets as of June 30, 2021. Actual rebates received subsequent to June 30, 2021, but related to claims incurred as of and for the year then ended, were \$5,452,263.

(h) **Capital assets**—Each capital item with an individual purchase price of \$2,000 or more and a useful life of at least two years is considered to be a capital asset. Capital assets are recorded at historical cost at date of purchase. Routine maintenance and repairs are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related depreciable assets. The useful life of furniture is 15 years.

(i) **Claims payable**—Claims payable included in the statement of fiduciary net position reflects liabilities for which invoices have been received from the two third-party administrators for claims activity incurred and reported.

(j) **Claims incurred but not reported (“IBNR”)**—The IBNR claims reserve included in the statement of fiduciary net position represents management’s best estimate of the amount of future health and pharmacy claims related to services provided in the current accounting period. The IBNR claims reserve model projects claims based upon average historical claims activity, average time to pay claims, certain high cost claims data, and certain studies of the participating employers’ historical claims data. Considerable amount of uncertainty and variability are inherent in this accounting estimate, and accordingly, the subsequent development of these allowances may not conform to the assumptions inherent in the determination. The ultimate liability could be significantly in excess of or less than the amount indicated in the basic financial statements, and it is at least reasonably possible that changes in the estimate in the near term would be material to the basic financial statements.

(k) **Restricted net position for participating employers**—Restricted net position for participating employers included in the statement of fiduciary net position represents the cumulative amount of contributions from participating employers received or earned from the participating employers in excess of health and pharmacy claims and administrative expenses paid or incurred. Each employer’s share of the restricted net position for participating employers is adjusted for funding credits approved for each participating employer, and the surplus (deficit) of contributions from participating employers over health and pharmacy claims and certain administrative expenses which is allocated to the participating employers based on the employer’s percentage share of membership in GatorCare.



**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

(l) **Income taxes**—On March 13, 2015, GatorCare received approval of tax exempt status from the Internal Revenue Service making the organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. GatorCare files informational tax returns in the U.S. federal jurisdiction. GatorCare's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. GatorCare has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and has determined that there are no uncertain tax positions that would have a material impact on the financial statements of GatorCare.

(m) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Short-term investments in SPIA at fair value totaled \$30,883,646 at June 30, 2022, representing ownership of a share of the pool, not the underlying securities. Of the total SPIA at fair value, \$27,302,525 is included in the statement of fiduciary net position and represents accumulated direct funding into SPIA of \$29,000,000 and \$1,697,475 accumulated unrealized loss on fair value of the SPIA. Of the total SPIA at fair value, \$3,581,121 is included in the statement of net position and represents accumulated interest income in the SPIA. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. As of June 30, 2022, the SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.66 years and a fair value factor of 0.9479.

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

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Annual Comprehensive Financial Report.

The fair value of GatorCare's investment in the SPIA is measured on a recurring basis, which is valued based on GatorCare's share of the pool, using significant unobservable inputs (Level 3), as of June 30, 2022.

(3) **Management Fee:**

GatorCare bills and receives management fee revenue from participating employers to fund the administrative functions of GatorCare. Management fee revenue, net of funding credits to participating employers, recognized during the year ended June 30, 2022 was \$814,009 and is included in the statement of revenues, expenses and changes in net position.

(4) **Administrative Expenses:**

The University and UF Health Shands perform various administrative functions on behalf of GatorCare, and GatorCare is billed for the related costs from these entities. For the year ended June 30, 2022, total administrative expenses, net of reimbursements, with the University and UF Health Shands was \$1,502,968. As of June 30, 2022, approximately \$533,000 was due to UF Health Shands, and is included in administrative expenses payable in the statement of net position.

(5) **Contributions from Participating Employers:**

GatorCare bills and receives contributions from its participating employers in conjunction with their payroll cycles. These amounts represent the equivalent of funding required to support self-funded plans and equal the sum of estimated health and pharmacy claims, certain third-party administrative costs and changes in the allowance for IBNR claims. GatorCare uses an actuary to determine the adequacy of the contributions from participating employers on an annual basis. Contributions from participating employers recognized during the year ended June 30, 2022 totaled \$226,640,474 and is included in the statement of changes in fiduciary net position.

Contributions from participating employers received during the year ended June 30, 2022, were derived from GatorCare's agreements with the following participating affiliated employers:

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

**GATORCARE HEALTH MANAGEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(5) **Contributions from Participating Employers:** (Continued)

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

For the year ended June 30, 2022, contributions from UF Health Shands and UF Health Jacksonville represent approximately 45% and 19%, respectively, of total contributions from participating employers received.

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

GatorCare contracts with third-party administrators for processing of health and pharmacy claims. For the year ended June 30, 2022, health and pharmacy claims paid to third-party administrators totaled \$233,646,590. Health and pharmacy claim expenses are funded by contributions from participating employers.

**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 Auditors' Report*

To the Board of Directors,  
GatorCare Health Management Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of GatorCare Health Management Corporation (“GatorCare”), a direct support organization and component unit of the University of Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise GatorCare’s basic financial statements as listed in the table of contents, and have issued our report thereon dated October 3, 2022.

***Internal Control over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### **Purpose of This Report**

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

James Moore & Co., P.L.

Gainesville, Florida  
October 3, 2022