

**MINUTES: Faculty Associates, Inc.  
Board of Directors  
Monday, September 21, 2015  
Time: 10:00 a.m.  
Location: D4-16**



**Present:** Isabel Garcia (chair), Laura Huntley, Jean Sweitzer, Madhu Nair and Calogero Dolce.

**Guests:** Jodi Geige and Jim Webb.

**Excused:** Ikramuddin Aukhil, Jim Wold, and Curtis Reynolds.

AGENDA	DISCUSSION	ACTION
<b>Call to Order</b>	The meeting was called to order at 10:02 a.m.	No action required.
<b>Welcome</b>	Dr. Garcia provided the Board of Directors with a brief update of college activities. <ol style="list-style-type: none"> <li>1. The college is well prepared for the upcoming accreditation site visit.</li> <li>2. Following accreditation, there are a number of important projects that will be done including developing a more formal faculty incentive plan and curriculum revision. Many aspects of the curriculum revision have been pilot tested; they are intended to provide more active learning methodologies and adopting new teaching technologies.</li> <li>3. The importance of getting students into clinics earlier was discussed. Holding the White Coat ceremony earlier was also discussed.</li> </ol>	No action required.
<b>Approval of Minutes</b>	The minutes from the June 18, 2015 Board of Directors meeting were previously approved by the Board via email.	The minutes from June 18, 2015 have been posted on the Web site.
<b>FY '15 Informal Audit Update</b>	Jean Sweitzer provided a brief update on the audit of the FY15 financials. The \$1.5 million in the UF Strategic Fund has been booked as a separate A/R "due from UF." The finance team discussed the write-off of accounts at the collection	No action required.

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AGENDA	DISCUSSION	ACTION
	<p>agency at length with the auditors for future years. Purvis Gray has been retained for the FY16 audit. Jean suggested that consideration be given to moving forward with the standard three year retainer agreement for FY17 with a three-year renewal provision.</p>	
<p><b>FY'16 YTD Financial Presentation</b></p>	<p>A brief presentation of FY'16 YTD financials for clinical funds was provided. The current clinical cash position as of 09/18/15 is \$6.97 million. Total revenues are up by \$42K or 1.3% YOY. Clinical revenues YOY are down by \$30K or -1.0%. This may be a result of the distractions of accreditation and other issues. Personnel expenses, administrative overhead and total expenses are down YOY, however operating expenses are up 8.0% through August as compared to the prior year. This reflects the extra expenses associated with accreditation including printing. Through August, 2015, actual clinical net charges were \$376K lower than budgeted net charges (-11.2%). A/R aging was also reviewed as was iCOLL results through August.</p>	<p>No action required.</p>
<p><b>Update on Medicaid Contracts</b></p>	<p>The Argus Dental contract has been finalized. The many challenges associated with the seven different Medicaid Managed Care plans were discussed.</p>	<p>No action required.</p>
<p><b>Policy approval (minor revision)</b></p>	<p>A minor revision to the Internal Collections Policy was discussed. Item 3 has been modified to change language from "over 90 days" to "90-120 days" as the time period during which collection letters are sent.</p>	<p><u>Action:</u> The revised policy will be posted on the college's policy pages.</p>

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AGENDA	DISCUSSION	ACTION
	<p>A motion was made and seconded to accept the minor revision. The motion passed unanimously.</p> <p>The Finance Team was congratulated on the results of the FY15 Audit.</p>	<p><u>Action:</u> Consider re-evaluating other external collection agencies for better collection rates.</p>
<p><b>Adjournment</b></p>	<p>Dr. Garcia adjourned the meeting after a unanimous vote to adjourn.</p>	<p>No action required.</p>

**Next meeting: Board of Directors Meeting, Wednesday, November 18, 2015, 9:30 a.m., Room D4-16**

To the Board of Directors  
Faculty Associates, Inc.  
Gainesville, Florida

We have audited the financial statements of Faculty Associates, Inc. (the Corporation) for the year ended June 30, 2015, and have issued our report thereon dated September 25, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our communication letter to you dated May 28, 2015. Professional standards also require that we communicate to you the following information related to our audit:

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Corporation's financial statements was:

- Management's estimate of Program Disallowances and Allowance for Uncollectible Accounts is based on experience and other circumstances which may affect the ability of clients to meet their obligations. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of related party transactions in Note 6 to the financial statements. This disclosure states the amount of transfers made to the Component Unit Funds at the University of Florida.
- Management's estimate of the Program Disallowances and Allowance for Uncollectible Accounts in Note 5.

#### **Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors  
Faculty Associates, Inc.  
Gainesville, Florida

### **Significant Audit Findings (Concluded)**

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to Corporation's financial statements taken as a whole.

#### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 25, 2015.

#### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedule of Revenues, Expenses, and Changes in Net Position of Transfers from Component Unit, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

To the Board of Directors  
Faculty Associates, Inc.  
Gainesville, Florida

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Punzio, Gray and Company, LLP*

September 25, 2015  
Gainesville, Florida

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**JUNE 30, 2015**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

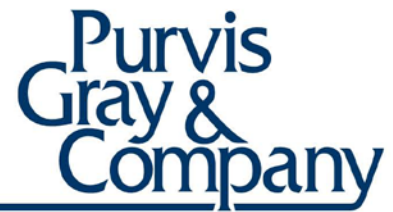
**FACULTY ASSOCIATES, INC.  
GAINESVILLE, FLORIDA**

**JUNE 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Faculty Associates, Inc.  
Gainesville, Florida

### Report on the Financial Statements

We have audited the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows and related notes to the financial statements of Faculty Associates, Inc. (the Corporation), a component unit of the University of Florida, as of June 30, 2015 and 2014, and for the years then ended.

### 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.

### Auditors' 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 auditors' 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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2015 and 2014, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Board of Directors  
Faculty Associates, Inc.  
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**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 taken as a whole. The supplementary information on page 13 is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of the Corporation's management. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no 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 25, 2015, 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 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.

*Purvis, Gray and Company, LLP*

September 25, 2015  
Gainesville, Florida

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2015 AND 2014**

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, 2015. The discussion and analysis of the Corporation’s financial statements provides an overview of its financial activities for the year ended June 30, 2015. 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 \$1,326,271 or 7.42%
- Cash increased by \$778,222 or 21.30%
- The net accounts receivable increased by \$617,981 or 25.92%

**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) in 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>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>	<u>Percent of 2015 Total</u>
Cash	\$ 4,431,181	\$ 3,652,959	\$ 778,222	21.30%	26.87%
Net Accounts Receivable	3,002,584	2,384,603	617,981	25.92%	21.34%
Due from UF Strategic Fund	<u>1,500,000</u>	<u>0</u>	<u>1,500,000</u>	--	<u>51.79%</u>
<b>Total Assets</b>	<u>\$ 8,933,765</u>	<u>\$ 6,037,562</u>	<u>\$ 2,896,203</u>	47.97%	<u>100.00%</u>

During fiscal year 2015, total assets were \$8,933,765. The Corporation’s largest asset is its cash. The total gross accounts receivable increased by \$1,265,531; the program disallowances increased by \$179,639; and the allowance for un-collectibles increased by \$467,911. Net accounts receivable increased from \$2,384,603 to \$3,002,584 for an increase of \$617,981 or 25.92%.

The cash in the bank increased by \$778,222 or 21.30%. A total of \$1,500,000 is due from the UF Strategic Fund as codified in a Memorandum of Understanding between the University of Florida and Faculty Associates, Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**  
*(Continued)*

**FINANCIAL ANALYSIS OF THE CORPORATION** *(Continued)*

**ASSETS** *(Concluded)*

Liabilities are comprised of prepayments for future care and a small percentage of patient credits. Total liabilities were \$137,772 and \$112,471 as of June 30, 2015 and 2014, respectively. This represents an increase of \$25,301 or 22.50% from the previous year.

**Total Net Position**

The total net position and liabilities was \$8,933,765 and \$6,037,562 as of June 30, 2015 and 2014, respectively. This reflects an increase of \$2,896,203 or 47.97% from the prior year.

**Current Ratio**

The Corporation's current assets of \$8,933,765 were sufficient to cover current liabilities of \$137,772, as the current ratio was 64.84 and 53.68 as of June 30, 2015 and 2014, respectively.

**INCOME STATEMENT**

**Operating Revenues**

Gross operating revenue was \$20,905,141 for the fiscal year ending June 30, 2015, as compared to \$19,344,781 for the previous fiscal year, representing an increase of \$1,560,360 or 8.07%. 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 \$271,139 versus \$249,714 for the fiscal years ending June 30, 2015 and 2014, respectively.

**Transfers**

A total of \$16,067,000 was transferred from Faculty Associates to the related College of Dentistry accounts to pay salaries of clinical staff and all other operating expenses. This is an increase of \$837,000 or 5.50% over the previous year. The increase in transfers is attributable to increased clinical salary supplement and fringe benefits cost and increases in supplies expenses in clinical operations.

**Summary**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Percent Change</u>
Income	\$ 19,209,041	\$ 17,882,812	\$ 1,326,229	7.42%
Total Expense	(271,139)	(249,714)	(21,425)	8.58%
Transfers (out)	(16,067,000)	(15,230,000)	(837,000)	5.50%
<b>Change in Net Position</b>	<u>\$ 2,870,902</u>	<u>\$ 2,403,098</u>	<u>\$ 467,804</u>	<u>\$ 19.47%</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**  
*(Concluded)*

**FINANCIAL ANALYSIS OF THE CORPORATION** *(Concluded)*

**INCOME STATEMENT** *(Concluded)*

**Summary** *(Concluded)*

The \$2,870,902 change in net position can be attributed primarily to increases in operating revenues. Patient visits in Gainesville, St. Petersburg, and Hialeah increased from 112,921 in 2014 to 117,337 in 2015, an increase of 3.91%.

**Statement of Cash Flows**

There was an increase in cash from \$3,652,959 to \$4,431,181 or 21.30%.

**Funds from Operating Activities**

The amount of net cash from operating activities increased from \$17,774,589 to \$18,341,351 or 3.19%.

**DEBT ADMINISTRATION**

**Total Debt**

At June 30, 2015, 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, 2016.

- It is anticipated that the self-funded DMD expansion will have a very modest positive impact on clinical revenues as 10 additional juniors will be entering their clinical years during Fiscal Year (FY) 16.
- Continued economic recovery may have a very modest positive impact on clinical revenues. However, the negative impact of Medicaid managed care on the practice due to increased staffing requirements, cost of contract negotiations as managed care companies by region change and denied claims may negate this gain.
- The addition of a few clinical faculty members in FY16 and growth in the practices of those hired in FY14 and FY15 is expected to positively impact clinical revenues as their faculty practices grow and mature.
- A continued focus on collection efforts and an Exan/axiUm consultant visit designed to improve planned appointments/ideal day scheduling in Faculty Practice and workflow in the Business Office may positively impact operating revenues, collections and A/R.

**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 352-273-5800.

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**  
**FACULTY ASSOCIATES, INC.**  
**GAINESVILLE, FLORIDA**

<b>Assets</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Current Assets:		
Cash and Cash Equivalents:		
Cash in Banks	\$ 4,431,181	\$ 3,652,959
Due from The University of Florida Strategic Fund	1,500,000	0
Accounts Receivable	6,405,162	5,139,631
Program Disallowances	(660,536)	(480,897)
Allowance for Uncollectible	(2,742,042)	(2,274,131)
Accounts Receivable, Net	<u>3,002,584</u>	<u>2,384,603</u>
Total Current Assets	<u>8,933,765</u>	<u>6,037,562</u>
<b>Total Assets</b>	<u><u>8,933,765</u></u>	<u><u>6,037,562</u></u>
<b>Liabilities and Net Position</b>		
Liabilities - Current Liabilities:		
Prepayments and Refunds Due	<u>137,772</u>	<u>112,471</u>
Total Current Liabilities	<u>137,772</u>	<u>112,471</u>
<b>Total Liabilities</b>	<u>137,772</u>	<u>112,471</u>
<b>Net Position</b>	<u>8,795,993</u>	<u>5,925,091</u>
<b>Total Net Position and Liabilities</b>	<u><u>\$ 8,933,765</u></u>	<u><u>\$ 6,037,562</u></u>

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
FACULTY ASSOCIATES, INC.  
GAINESVILLE, FLORIDA**

	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Professional Fees (Net of Bad Debts \$1,699,971 for 2015 and \$1,465,882 for 2014)	\$ 19,205,170	\$ 17,878,899
<b>Total Operating Revenues</b>	<u>19,205,170</u>	<u>17,878,899</u>
<b>Operating Expenses</b>		
Credit Card Fees	271,139	249,714
<b>(Total Operating Expenses)</b>	<u>(271,139)</u>	<u>(249,714)</u>
<b>Net Operating Income</b>	<u>18,934,031</u>	<u>17,629,185</u>
<b>Nonoperating Revenues</b>		
Interest Income	3,871	3,913
<b>Total Nonoperating Revenues</b>	<u>3,871</u>	<u>3,913</u>
<b>Income Before Transfers</b>	<u>18,937,902</u>	<u>17,633,098</u>
<b>Transfers</b>		
Transfers to Component Unit - Fund 171	(16,067,000)	(15,230,000)
<b>(Total Transfers)</b>	<u>(16,067,000)</u>	<u>(15,230,000)</u>
<b>Change in Net Position</b>	2,870,902	2,403,098
<b>Net Position, Beginning of Year</b>	<u>5,925,091</u>	<u>3,521,993</u>
<b>Net Position, End of Year</b>	<u>\$ 8,795,993</u>	<u>\$ 5,925,091</u>

See accompanying notes.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**FACULTY ASSOCIATES, INC.**  
**GAINESVILLE, FLORIDA**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from Professional Fees	\$ 18,612,490	\$ 18,024,303
Payments for Vendors	(271,139)	(249,714)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>18,341,351</b>	<b>17,774,589</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers to Component Unit - Fund 171	(16,067,000)	(15,230,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(16,067,000)</b>	<b>(15,230,000)</b>
<b>Cash Flows from Investing Activities</b>		
Transfer to University of Florida Strategic Fund	(1,500,000)	0
Interest and Dividends Received	3,871	3,913
<b>Net Cash Provided by (Used in) Noncapital Investing Activities</b>	<b>(1,496,129)</b>	<b>3,913</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	778,222	2,548,502
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,652,959</b>	<b>1,104,457</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,431,181</b>	<b>\$ 3,652,959</b>
<b><u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>		
Operating Income	\$ 18,934,031	\$ 17,629,185
Adjustments to Reconcile Operating Income (Loss) to Cash Flows Provided by (Used in) Operating Activities:		
Decrease (Increase) in Accounts Receivable, Net	(617,981)	192,492
Increase (Decrease) in Prepayments and Refunds	25,301	(47,088)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 18,341,351</b>	<b>\$ 17,774,589</b>

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 nonoperating according to the following criteria:

■ **Operating Revenues**

Include activities that have the characteristics of exchange transactions, such as clinical revenue.

■ **Nonoperating Revenues**

Include activities that have characteristics of nonexchange 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**

Cash and cash equivalents include cash and interest-bearing deposits with original maturity dates of three months or less.

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

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Accounts Receivable**

Accounts receivable are reported net of an allowance for uncollectible accounts and a reserve for program disallowances. The allowance for uncollectible accounts is established by charges to income through the provision for uncollectible accounts. The reserve for program disallowances is established through a charge against professional fees.

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 \$796,063 and \$526,270 have been sent to collection agencies as of June 30, 2015 and 2014, 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 Clinics at St. Petersburg and Hialeah. Professional fees are recorded on the accrual basis of accounting at the estimated net realizable amounts to be received from patients, third party payors, 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.

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

**Note 2 - Summary of Significant Accounting Policies (Concluded)**

**Subsequent Events**

The Corporation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 25, 2015, the date the financial statements were available to be issued.

**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.

**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 \$4,431,181 and the bank balance was \$4,590,237. All deposits of the Corporation are maintained in public qualified depositories and fully insured, as defined under Florida Statutes Chapter 280.

**Note 4 - Due from University of Florida – University Strategic Fund**

In November 2014, the Corporation signed a memorandum of understanding (MOU) with the University of Florida in which the Corporation 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 Corporation, therefore, the Corporation recorded a due from the University's Strategic Fund of \$1,500,000 as of June 30, 2015. 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 - Accounts Receivable Allowance**

Activity relating to the allowance for uncollectible accounts for the years ended June 30, 2015 and 2014, are summarized as follows:

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

**Note 5 - Accounts Receivable Allowance (Concluded)**

	<u>2015</u>	<u>2014</u>
<b>Beginning Balance</b>	\$ 2,755,028	\$ 2,014,704
Provision for Bad Debts	1,699,971	1,465,881
Write-offs	(1,001,070)	(706,094)
Change in Program Disallowances	(96,264)	(91,440)
Recoveries	44,913	71,977
<b>Ending Balance</b>	<u>\$ 3,402,578</u>	<u>\$ 2,755,028</u>
<b>Shown in Statement of Net Position as</b>	<u>2015</u>	<u>2014</u>
Program Disallowance	\$ 660,536	\$ 480,897
Allowance for Uncollectibles	2,742,042	2,274,131
<b>Total</b>	<u>\$ 3,402,578</u>	<u>\$ 2,755,028</u>

**Note 6 - Related Party Transactions**

During the years ended June 30, 2015 and 2014, the Corporation transferred \$16,067,000 and \$15,230,000, respectively, to the University of Florida Transfers from Component Unit Fund.

**Note 7 - 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 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 College of Dentistry.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
OF TRANSFERS FROM COMPONENT UNIT (UNAUDITED)  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
FACULTY ASSOCIATES, INC.  
GAINESVILLE, FLORIDA**

	<b>2015</b>	<b>2014</b>
	<b>Transfers From Component Unit</b>	<b>Transfers From Component Unit</b>
<b>Operating Revenues</b>		
Other Service Income	\$ 5,917,535	\$ 5,676,588
<b>Total Operating Revenues</b>	<u>5,917,535</u>	<u>5,676,588</u>
<b>Operating Expenses</b>		
Salary Supplement and Fringe Benefits:		
Faculty Salaries and Fringe Benefits	5,229,809	4,981,526
Staff Salaries and Fringe Benefits	5,288,537	5,412,460
Part-time Faculty (OPS)	211,100	174,405
Resident and Graduate Assistants (OPS)	2,641,693	2,445,969
Other Part-time Employees (OPS)	983,871	807,540
Total Salary Supplement and Fringe Benefits	<u>14,355,010</u>	<u>13,821,900</u>
Clinical Operations:		
Supplies	2,900,978	2,333,978
Outside Laboratory	1,248,302	1,382,830
Other Clinical Operations	42,881	44,599
Total Clinical Operations	<u>4,192,161</u>	<u>3,761,407</u>
Departmental Support:		
Supplies and Printing	297,229	318,036
Travel	286,495	313,961
Dues, Licenses, and Books	160,075	176,526
Equipment	33,396	202,929
Facilities	145,261	120,712
Consulting/External Staffing	424,323	434,208
Communications	73,228	72,376
Postage and Freight	127,120	124,111
Repairs and Maintenance	259,017	201,775
Construction	0	12,500
Entertainment	122,138	109,083
Insurance	88,211	304,029
University Overhead Charges	961,568	1,017,459
Other Departmental Support	29,055	2,857
Total Departmental Support	<u>3,007,116</u>	<u>3,410,562</u>
<b>(Total Expenses)</b>	<u>(21,554,287)</u>	<u>(20,993,869)</u>
<b>Total Operating (Loss)</b>	<u>(15,636,752)</u>	<u>(15,317,281)</u>
<b>Transfers</b>		
From Component Unit	<u>16,067,000</u>	<u>15,230,000</u>
<b>Total Transfers</b>	<u>16,067,000</u>	<u>15,230,000</u>
<b>Excess (Deficiency) of Transfers Over (Under) Expenses</b>	430,248	(87,281)
<b>Net Position, Beginning of Year</b>	<u>345,703</u>	<u>432,984</u>
<b>Net Position, End of Year</b>	<u>\$ 775,951</u>	<u>\$ 345,703</u>

See accompanying notes.

**INDEPENDENT AUDITORS' 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), component unit of the University of Florida, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the 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.

**Certified Public Accountants**

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors  
Faculty Associates, Inc.  
Gainesville, Florida

**INDEPENDENT AUDITORS' 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*  
(Concluded)**

**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, 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 did not disclose 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 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.

*Purvis, Gray and Company, LLP*

September 25, 2015  
Gainesville, Florida