

2020

Faculty Associates, Inc.

Financial Statements and Independent Auditor's Report

June 30, 2020

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Faculty Associates, Inc.
Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows of Faculty Associates, Inc. (the Corporation), a component unit of the University of Florida, as of and for the years ended June 30, 2020 and 2019, and related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Board of Directors
Faculty Associates, Inc.
Gainesville, Florida

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2020 and 2019, and the changes in financial position, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 8 to the financial statements, the Corporation has been and may continue to be operationally and financially impacted by the outbreak of the novel coronavirus (COVID-19) pandemic.

Other Matters

Required Supplementary Information

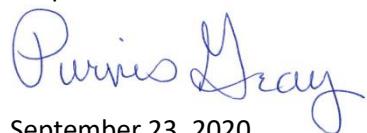
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary information on page 14 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2020, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



September 23, 2020
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020. The discussion and analysis of the Corporation's financial statements provides an overview of its financial activities for the year ended June 30, 2020. 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 decreased by \$3,284,434 or 15.89%
- Cash decreased by \$2,245,862 or 13.12%
- The net accounts receivable decreased by \$1,198,047 or 30.20%

USING THIS ANNUAL REPORT

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

FINANCIAL ANALYSIS OF THE CORPORATION

ASSETS

	2020	2019	Increase (Decrease)	Percent Change	Percent of 2020 Total
Cash	\$ 14,866,102	\$ 17,111,964	\$ (2,245,862)	13.12%	45.43%
Net Accounts Receivable	2,769,240	3,967,287	(1,198,047)	30.20%	24.23%
Due from UF Strategic Fund	-	1,500,000	(1,500,000)	100.00%	30.34%
Total Assets	\$ 17,635,342	\$ 22,579,251	\$ (4,943,909)	21.90%	100.00%

During fiscal year 2020, total assets were \$17,635,342. The Corporation's largest asset is cash in the bank. The total gross accounts receivable decreased by \$1,772,000; the program disallowances decreased by \$489,118; and the allowance for un-collectibles decreased by \$84,835. Net accounts receivable decreased from \$3,967,287 to \$2,769,240 for a decrease of \$1,198,047 or 30.20%.

The cash in the bank decreased by \$2,245,862 or 13.12%. A total of \$0 is due from the UF Strategic Fund as codified in a Memorandum of Understanding between the University of Florida and Faculty Associates, Inc. after the College of Dentistry asked that those practice funds be returned.

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019

Liabilities are comprised of prepayments for future care and a small percentage of patient credits. Total liabilities were \$308,214 and \$297,214 as of June 30, 2020 and 2019, respectively. This represents an increase of \$11,000 or 3.70% from the previous year.

Total Net Position

The total net position was \$17,327,128 and \$22,282,037 as of June 30, 2020 and 2019, respectively. This reflects a decrease of \$4,954,909 or 22.24% from the prior year.

Current Ratio

The Corporation's current assets of \$17,635,342 were sufficient to cover current liabilities of \$308,214, as the current ratio was 57.22 and 75.97 as of June 30, 2020 and 2019, respectively.

INCOME STATEMENT

Operating Revenues

Gross operating revenue was \$19,049,968 for the fiscal year ended June 30, 2020, as compared to \$23,283,108 for the previous fiscal year, representing a decrease of \$4,233,140 or 18.18%. 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 \$319,819 versus \$391,031 for the fiscal years ended June 30, 2020 and 2019, respectively.

Transfers

A total of \$22,030,000 was transferred from the Corporation to the related College of Dentistry accounts to pay salaries of clinical staff and all other operating expenses. This is an increase of \$4,506,000 or 25.71% over the previous year.

Summary

	2020	2019	Change	Percent Change
Income	\$ 17,394,910	\$ 20,678,750	\$ (3,283,840)	(15.88%)
Total Expense	(319,819)	(391,031)	71,212	(18.21%)
Transfers (out)	(22,030,000)	(17,524,000)	(4,506,000)	25.71%
Change in Net Position	\$ (4,954,909)	\$ 2,763,719	\$ (7,718,628)	(279.28%)

The (\$4,954,909) change in net position can be attributed to decreases in operating revenues primarily due to COVID-19 impacts, including higher costs for personal protective equipment (PPE) and continued high expenses from the addition of the NCEF Pediatric Dental Center as a college-owned and managed clinic coupled with the opening of the Wildlight Dental Center in Yulee, Florida. (Starting January 1, 2019,

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019

clinical revenues generated through patient care at the NCEF Pediatric Dental Center in Naples accrued to the College of Dentistry instead of the federally-qualified health center that previously managed the practice.) The Wildlight Dental Center opened in January 2020; equipping this stand-alone, six-operatory dental clinic added to college expenses. Shortly after opening, Wildlight was quickly affected by a COVID-caused temporary closure and commensurate low patient visits and clinical revenues.

Statement of Cash Flows

There was a decrease in cash from \$17,111,964 to \$14,866,102 or 13.12%.

Funds from Operating Activities

The amount of net cash from operating activities decreased from \$19,896,854 to \$18,279,916 or 8.13%.

DEBT ADMINISTRATION

Total Debt

At June 30, 2020, 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, 2021.

- The continued impact of the COVID-19 pandemic is difficult to quantify but expected to result in enterprise-wide reduced clinical revenues and increased costs of personal protective equipment, both of which will impact the net position. A second “wave” of COVID cases in any of the communities where clinics are located would further negatively impact clinical revenues due to required spacing between patient appointments and/or closures. At this time, clinical revenues are budgeted in FY21 to be half of the normal level in DMD clinics and 75% of normal level in resident (including community-based) and faculty practice clinics.
- In the past UF legislative session, dentists were approved for inclusion in the Medicaid supplemental payment program. The College of Dentistry’s participation in this program will result in a supplemental payment for Medicaid/Medicare treatment at a rate of 205% resulting in up to an additional \$4.6M in payments for Medicaid/Medicare patient services rendered.
- Some community-based clinics that have been hit hard by the COVID pandemic may be required to reduce hours of operation, temporarily close when a high prevalence of the virus impacts their setting or be closed permanently as the pandemic drags on.
- University mandates continue to impact transfers and clinical expenditures. For instance, transfers have increased in amount as the University has become more stringent about balances in PeopleSoft. Similarly, University mandated raises to minimum wage and other policies will result in increased salary expenditures. These are expected to continue in FY21.
- A weakened national, state, and local economy with high unemployment rates is expected to negatively impact the Corporation, Inc. Unemployment may reduce the demand for elective dental services resulting in a need to utilize furloughs and/or layoffs to manage the downturn.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

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

STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA

	2020	2019
Assets		
Current Assets:		
Cash and Cash Equivalents:		
Cash in Banks	\$ 14,866,102	\$ 17,111,964
Due from The University of Florida Strategic Fund	-	1,500,000
Accounts Receivable	6,085,355	7,857,355
Program Disallowances	(461,037)	(950,155)
Allowance for Uncollectible	(2,855,078)	(2,939,913)
Accounts Receivable, Net	<u>2,769,240</u>	<u>3,967,287</u>
Total Current Assets	<u>17,635,342</u>	<u>22,579,251</u>
Total Assets	<u>17,635,342</u>	<u>22,579,251</u>
Liabilities and Net Position		
Liabilities - Current Liabilities:		
Prepayments and Refunds Due	<u>308,214</u>	<u>297,214</u>
Total Current Liabilities	<u>308,214</u>	<u>297,214</u>
Total Liabilities	<u>308,214</u>	<u>297,214</u>
Net Position	<u>17,327,128</u>	<u>22,282,037</u>
Total Net Position and Liabilities	<u>\$ 17,635,342</u>	<u>\$ 22,579,251</u>

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA

	2020	2019
Operating Revenues		
Professional Fees (Net of Bad Debts of \$1,659,280 for 2020 and \$2,607,986 for 2019)	\$ 17,390,688	\$ 20,675,122
Total Operating Revenues	<u>17,390,688</u>	<u>20,675,122</u>
Operating Expenses		
Credit Card Fees	319,819	391,031
(Total Operating Expenses)	<u>(319,819)</u>	<u>(391,031)</u>
Net Operating Income	<u>17,070,869</u>	<u>20,284,091</u>
Non-Operating Revenues		
Interest Income	4,222	3,628
Total Non-Operating Revenues	<u>4,222</u>	<u>3,628</u>
Income Before Transfers	<u>17,075,091</u>	<u>20,287,719</u>
Transfers		
UF - Transfers from Component Unit Fund (171)	(22,030,000)	(17,524,000)
(Total Transfers)	<u>(22,030,000)</u>	<u>(17,524,000)</u>
Change in Net Position	(4,954,909)	2,763,719
Net Position, Beginning of Year	<u>22,282,037</u>	<u>19,518,318</u>
Net Position, End of Year	<u>\$ 17,327,128</u>	<u>\$ 22,282,037</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA

	2020	2019
Cash Flows from Operating Activities		
Receipts from Professional Fees	\$ 18,599,735	\$ 20,287,885
Payments for Vendors	(319,819)	(391,031)
Net Cash Provided by (Used in) Operating Activities	<u>18,279,916</u>	<u>19,896,854</u>
Cash Flows from Non-Capital Financing Activities		
Payments to UF - Transfers from Component Unit Fund (171)	(20,530,000)	(17,524,000)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(20,530,000)</u>	<u>(17,524,000)</u>
Cash Flows from Investing Activities		
Interest Received	4,222	3,628
Net Cash Provided by (Used in) Non-Capital Investing Activities	<u>4,222</u>	<u>3,628</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,245,862)	2,376,482
Cash and Cash Equivalents, Beginning of Year	17,111,964	14,735,482
Cash and Cash Equivalents, End of Year	<u>\$ 14,866,102</u>	<u>\$ 17,111,964</u>
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ 17,070,869	\$ 20,284,091
Adjustments to Reconcile Operating Income (Loss) to Cash Flows Provided by (Used in) Operating Activities:		
Decrease (Increase) in Accounts Receivable, Net	1,198,047	(372,302)
Increase (Decrease) in Prepayments and Refunds	<u>11,000</u>	<u>(14,935)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 18,279,916</u>	<u>\$ 19,896,854</u>
<u>Non-Cash Activities</u>		
Transfer of funds from University of Florida Strategic Fund directly to UF - Transfers from Component Unit Fund (171)	\$ 1,500,000	\$ -

See accompanying notes.

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

Note 1 - Reporting Entity

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are reported on the accrual basis of accounting. These financial statements are entirely those of the Corporation alone and, accordingly, are not intended to present the financial position or the results of operations of the University of Florida. The Corporation was determined to be "governmental" under guidance provided by the Governmental Accounting Standards Board (GASB) Statement No. 29.

Under GASB Statement No. 35, for financial reporting purposes, the Corporation is considered a special purpose government engaged only in business-type activities.

Classification of Revenues

The Corporation classifies its revenues as operating or non-operating according to the following criteria:

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

Net Position

The Corporation's net position is classified as follows:

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is established by charges to income through the provision for uncollectible accounts.

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

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

Accounts are considered past due after 120 days and are to be sent to a collection agency at that time. Accounts totaling \$859,860 and \$670,180 have been sent to collection agencies during the years ended June 30, 2020 and 2019, 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, Hialeah and Naples. Professional fees are recorded on the accrual basis of accounting at the estimated net realizable amounts to be received from patients, third-party payers, and others for services rendered.

Expenditures

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

Donated Services

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

Income Taxes

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

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Concentration of Credit Risk

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

Note 3 - Cash and Cash Equivalents

At year-end, the carrying amount of the Corporation's deposits was \$14,866,102 and the bank balance was \$14,975,292 as of June 30, 2020. The Corporation's deposits were \$17,111,964 and the bank balance was \$17,239,750 as of June 30, 2019. 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 agreed to deposit its excess cash and investments into the University's Strategic Fund. The University managed and invested these monies for the benefit of the Strategic Fund. All earnings, losses, and associated investment management fees were retained by the University. During the year ended June 30, 2020, the University satisfied its obligation to the Corporation. The Corporation recorded a due from the University's Strategic Fund of \$0 and \$1,500,000 as of June 30, 2020 and 2019, respectively.

Note 5 - Accounts Receivable Allowance

Activity relating to the allowance for uncollectible accounts for the years ended June 30, 2020 and 2019, is summarized as follows:

	2020	2019
Beginning Balance	\$ 3,890,068	\$ 3,634,294
Provision for Bad Debts	1,659,280	2,607,986
Write-Offs	(2,216,791)	(2,258,226)
Change in Program Disallowances	(113,952)	(178,112)
Recoveries	97,510	84,126
Ending Balance	<u>\$ 3,316,115</u>	<u>\$ 3,890,068</u>

Shown in Statement of Net Position as	2020	2019
Program Disallowance	\$ 461,037	\$ 950,155
Allowance for Uncollectibles	2,855,078	2,939,913
Total	<u>\$ 3,316,115</u>	<u>\$ 3,890,068</u>

Note 6 - Related-Party Transactions

During the years ended June 30, 2020 and 2019, the Corporation transferred \$22,030,000 and \$17,524,000, respectively, to the University of Florida Transfers from Component Unit Fund.

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

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 provide general and professional liability protection for the University on behalf of the six health colleges of the J. Hillis Miller Health Science Center, which also includes the College of Dentistry.

Note 8 - COVID-19

A national emergency was declared by the President of the United States in response to the COVID-19 pandemic during FY20. The national, state and local economic and social impact of the virus is expected to be significant but because of ongoing impacts is not quantifiable in full at this time.

In mid-March, 2020, because of COVID-19 and potential impacts to faculty, staff, students, residents and patients, Dean A. Isabel Garcia suspended clinical care in college dental clinics, except for emergency care. Shortly thereafter, the Florida Governor by executive order suspended non-emergent medical and dental care in the state. For approximately two months, the college responded to emergency patient care needs only, significantly impacting clinical revenues.

This COVID-caused pause in operations during the spring, followed by a change in operations in May and June to allow for operations in teams, more spacing physically and between appointments for patients and other changes resulted in a significant loss of revenue through June 30, 2020. Professional fees (net of bad debts) were down by \$3,284,434 or 15.89% as compared to the prior year, primarily due to COVID-19. Similarly, the practice plan saw increases in the costs of personal protective equipment (PPE) including gloves, impervious gowns, surgical masks and N95 masks because of COVID-19. A number of facility modifications including HEPA filters, plastic shields between patient care areas, and other facility changes were needed to ensure the safest environment for both patients and providers.

On April 10, 2020, the practice plan received a payment in the amount of \$36,590.94 through the CARES Act Provider Relief Fund. Following attestation to receipt of these funds and application for further funding, the practice plan received an additional \$429,071.22 on June 15, 2020. This federal funding is designed to support healthcare providers fighting the pandemic. The funds support healthcare-related expenses or lost revenue caused by COVID-19.

In FY21, it is anticipated that the impacts of COVID-19 will continue throughout most of the year. Currently, all clinics except Wildlight Dental Center, which is a single provider setting, are operated in orange and blue teams so that providers can be kept in two discrete teams at each location. This is done so that in the case of a clinical provider or staff testing positive or being exposed to COVID-19, the team can pause clinical care while the other team continues. Because of this, it is estimated that DMD clinical revenues will be at 50% of typical levels while resident and faculty practice clinics will operate at 75% of typical levels. However, a second wave of COVID at one or more college clinic locations could significantly reduce these revenue projections.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
OF TRANSFERS FROM COMPONENT UNIT (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**
FACULTY ASSOCIATES, INC.
GAINESVILLE, FLORIDA

	2020	2019
	Transfers From Component Unit	Transfers From Component Unit
Operating Revenues		
Other Service Income	\$ 5,547,408	\$ 6,374,943
Total Operating Revenues	<u>5,547,408</u>	<u>6,374,943</u>
Operating Expenses		
Salary Supplement and Fringe Benefits:		
Faculty Salaries and Fringe Benefits	5,660,320	5,364,478
Staff Salaries and Fringe Benefits	8,591,906	7,027,695
Part-Time Faculty (OPS)	100,467	396,549
Resident and Graduate Assistants (OPS)	2,775,504	2,741,122
Other Part-Time Employees (OPS)	564,647	692,401
Total Salary Supplement and Fringe Benefits	<u>17,692,844</u>	<u>16,222,245</u>
Clinical Operations:		
Supplies	2,817,990	3,157,113
Outside Laboratory	1,123,493	1,261,724
Other Clinical Operations	102,080	111,330
Total Clinical Operations	<u>4,043,563</u>	<u>4,530,167</u>
Departmental Support:		
Supplies and Printing	359,022	464,724
Travel	231,718	371,792
Dues, Licenses, and Books	235,956	166,148
Equipment	601,586	421,208
Facilities	130,480	126,274
Consulting/External Staffing	743,804	707,989
Communications	96,567	89,909
Postage and Freight	150,425	147,531
Repairs and Maintenance	309,518	239,794
Entertainment	105,544	124,818
Insurance	110,580	170,313
University Overhead Charges	940,923	877,740
Other Departmental Support	80,693	54,835
Total Departmental Support	<u>4,096,816</u>	<u>3,963,075</u>
(Total Expenses)	<u>(25,833,223)</u>	<u>(24,715,487)</u>
Total Operating (Loss)	<u>(20,285,815)</u>	<u>(18,340,544)</u>
Transfers		
From Component Unit	22,030,000	17,524,000
Total Transfers	<u>22,030,000</u>	<u>17,524,000</u>
Excess of Transfers Over Expenses	1,744,185	(816,544)
Net Position, Beginning of Year	1,871,528	2,688,072
Net Position, End of Year	<u>\$ 3,615,713</u>	<u>\$ 1,871,528</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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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 year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control Over Financial Reporting

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

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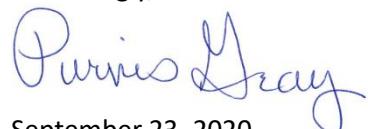
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


September 23, 2020
Gainesville, Florida

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