

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Basic Financial Statements  
and  
Required Supplementary Information**

**June 30, 2020 and 2019  
(With Independent Auditor's Report Thereon)**

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

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**Mayer Hoffman McCann P.C.**

13577 Feather Sound Drive, Suite 400 ■ Clearwater, FL 33762  
Main: 727.572.1400 ■ Fax: 727.571.1933 ■ [www.mhmcpa.com](http://www.mhmcpa.com)

## **Independent Auditor’s Report on Basic Financial Statements and Required Supplementary Information**

The Board of Directors  
USF Health Professions Conferencing Corporation:

We have audited the accompanying financial statements of USF Health Professions Conferencing Corporation (“HPCC”), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **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 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 audits. We conducted our audits 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 risks 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 entity’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 entity’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.

## **Opinion**

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

## **Emphasis of Matter**

We draw your attention to Note 11, which describes the risks and uncertainties impacting HPCC as a result of the COVID-19 pandemic. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to this matter.

## **Other Matter**

As a result of the Florida Excellence in Higher Education Act of 2018, for all universities within the State University System (“SUS”) of Florida, the university board of trustees must approve all appointments to the board of directors of any university direct support organization (“DSO”), including HPCC. This change required all SUS university DSOs, including HPCC, to follow the Governmental Accounting Standards Board (“GASB”) financial accounting framework beginning in the fiscal year ended June 30, 2019.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 4 through 9 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 basic financial statements taken as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule of functional expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, on our consideration of USF Health Professions Conferencing Corporation'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 USF Health Professions Conferencing Corporation's internal control over financial reporting and compliance.

MAYER HOFFMAN MCCANN P.C.

October 12, 2020  
Clearwater, Florida

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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## Management’s Discussion and Analysis

The management’s discussion and analysis (“MD&A”) provides a financial performance review that is designed to focus on the financial activities, resulting changes, and currently known facts of USF Health Professions Conferencing Corporation (the “Organization”) for the fiscal year ended June 30, 2020. This overview is required by Governmental Accounting Standards Board (“GASB”) Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of HPCC’s management.

## Overview of Financial Statements

Pursuant to GASB Statement No. 35, the Organization’s financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position reflects the assets, deferred inflows of resources, and liabilities of the Organization, using the accrual basis of accounting, and presents the financial position of the Organization at a specified time. The difference between total assets less deferred inflows of resources and total liabilities is net position. The net position is an indicator of the Organization’s financial health.

The statement of revenues, expenses and changes in net position presents the Organization’s revenue and expense activity, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The statement of cash flows provides information in the form of cash inflows and outflows summarized by operating, capital and related financing activities, and investing activities. This statement will assist in evaluating the Organization’s ability to generate net cash flows and its ability to meet its financial obligations as they come due.

The novel coronavirus (“COVID-19”) spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and the Organization in March 2020. Those impacts continued through year end June 30 and significantly impacted the year ended June 30, 2020 results. The pandemic impacts continue to affect external clientele in fiscal year 2021 at the Center for Advanced Medical Learning and Simulation (CAMLs) while online programming and USF student and resident programming has resumed. The CAMLS team and facility is welcoming learners back and successfully demonstrating its safety protocols to returning clients. CAMLS and the Office of Continuing Professional Development are pivoting their program offerings to provide more online and remote training opportunities with live streaming, virtual reality and bringing the training directly to client locations. The Organization anticipates continued challenges as air travel and face-to-face meetings remain constrained due to the pandemic and has undertaken strategic operating cost reductions to preserve cash and meet demand for the duration of the pandemic.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

**Condensed Statements of Net Position**

The following summarizes the Organization’s assets, deferred inflows of resources, liabilities, and net position at June 30:

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets	\$ 5,241,786	6,186,783
Capital assets	16,306,539	17,261,747
Other noncurrent assets	6,650	14,810
	<u>21,554,975</u>	<u>23,463,340</u>
Total assets	<u>\$ 21,554,975</u>	<u>23,463,340</u>
<b>LIABILITIES</b>		
Current	\$ 3,798,314	3,940,609
Noncurrent	12,678,433	13,843,518
	<u>16,476,747</u>	<u>17,784,127</u>
Total liabilities	16,476,747	17,784,127
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred grants	1,515,296	1,540,083
<b>NET POSITION</b>		
Net investment in capital assets	2,467,780	2,327,334
Unrestricted	1,095,152	1,811,796
	<u>3,562,932</u>	<u>4,139,130</u>
Total net position	<u>\$ 21,554,975</u>	<u>23,463,340</u>

The Organization’s total assets were \$21.6 million at June 30, 2020. This balance reflects a decrease of \$1.9 million (-8%) from total assets of \$23.5 million at June 30, 2019 and is the result of fewer year end accounts receivable due to COVID-19 limiting training opportunities in the last quarter, as well as depreciation of capital assets. Current assets at June 30, 2020 and 2019 comprise approximately \$5.2 and \$6.2 million respectively, of the Organization’s total assets and include those highly liquid assets that are used for operations such as cash, accounts receivable, prepaid expenses and inventories included as a part of other assets.

At June 30, 2020, the Organization had \$35.7 million in capital assets, less accumulated depreciation of \$19.4 million, for net capital assets of \$16.3 million, compared to June 30, 2019 capital assets of \$35.6 million and depreciation of \$18.3 for net capital assets of \$17.3 million. Depreciation expense totaled \$1.1 million and \$1.4 million for the fiscal years ended June 30, 2020 and 2019, respectively. Capital assets comprise \$16.3 million of the Organization’s total assets and consist mostly of capitalized facility and equipment leases. Other noncurrent assets at June 30, 2020 and 2019 comprise \$7 and \$15 thousand, respectively, of the Organization’s total assets and consist of security deposits and non-current receivables.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

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**Condensed Statements of Net Position - Continued**

Total liabilities were \$16.5 million at June 30, 2020. This balance reflects a decrease of \$1.3 million (-7%) from \$17.8 million at June 30, 2019. The decrease in liabilities primarily resulted from scheduled payments on debt and capital lease obligations of \$1.1 million made in fiscal year 2020. Current liabilities at June 30, 2020 and 2019 comprise approximately \$3.8 and \$3.9 million, respectively, of total liabilities and include all items that mature within one year. The current liabilities include current portion of long-term capital lease obligations, accounts payable, accrued expense due to related parties, refunds due to sponsors, unearned revenue and other current liabilities.

At June 30, 2020, the Organization had \$13.8 million of capitalized facility and equipment lease obligations representing a decrease of \$1.1 million or 7%, from the prior fiscal year balance of \$14.9 million. Noncurrent liabilities at June 30, 2020 and 2019 of \$12.7 and \$13.8 million, respectively, primarily represent the long-term portion of capital lease obligations and the approximately \$1.1 million current portion is included with current liabilities at June 30, 2020 and 2019.

Deferred inflows of resources consisting of deferred grants was approximately \$1.52 and \$1.54 million at June 30, 2020 and 2019, respectively, for a decrease of \$25 thousand (-2%) from the prior fiscal year.

Changes in assets, liabilities and deferred inflows of resources during fiscal year 2020 resulted in an overall decrease in net position of \$576 thousand for the year ended June 30, 2020 compared to an overall increase of \$1.3 million for the year ended June 30, 2019. The impact from COVID-19 and the decrease in Transfers from UMSA to support programming are the two driving factors for the decrease in net position.

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

The following summarizes the Organization’s activities for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 14,151,926	16,981,325
Operating expenses	<u>(14,510,966)</u>	<u>(16,136,391)</u>
Operating income (loss)	(359,040)	844,934
Net non-operating revenues (expense)	<u>(217,158)</u>	<u>490,442</u>
Increase (decrease) in net position	(576,198)	1,335,376
Net position, beginning of year	<u>4,139,130</u>	<u>2,803,754</u>
Net position, end of year	<u>\$ 3,562,932</u>	<u>4,139,130</u>



# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

### Operating Revenues

Operating revenues by source for the fiscal years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Contracts and grants - non USF	\$ 9,176,027	9,564,952	(388,925)	(4)%
Contracts and grants - USF	3,830,603	4,269,575	(438,972)	(10)%
Program registration and exhibits	661,169	2,414,410	(1,753,241)	(73)%
Rental revenue	403,585	540,639	(137,054)	(25)%
Investment income	17,912	2,814	15,098	537%
Rebates and commissions	62,630	188,935	(126,305)	(67)%
Total operating revenues	<u>\$ 14,151,926</u>	<u>16,981,325</u>	<u>(2,829,399)</u>	(17)%

The Organization's operating revenues were \$14.2 million for the year ended June 30, 2020 as compared to \$17 million the previous year, for a decrease of \$2.8 million (-17%). The Organization's operating revenues consist of financial management support for the USF Health Office of Continuing Professional Development (OCPD) and management of the USF Health Center for Advanced Medical Learning and Simulation (CAMLs). The decrease in overall operating revenue is attributable to the direct impact of COVID-19 and the postponement of programs during the last four months of the fiscal year. Contracts and grants - non USF decreased just \$389 thousand or (-4%) from prior year as postponement of live events at CAMLS were offset by increased OCPD online programming with medical education companies. Contracts and grants - USF decreased \$439 thousand or (-10%) from prior year due to budget constraints and programming relocating to other campus facilities. The cancellation and postponement of the Organization's live in-person events decreased Program registrations and exhibits by \$1.75 million or (-73%) from prior year and rebates and commissions, which are dependent upon these events, by \$126 thousand or (-67%). Rental revenue decreased \$137 thousand or (-25%) from prior year due to tenant non-renewals and lower demand for parking.

### Operating Expenses

The following summarizes the operating expenses for the fiscal years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Salaries and benefits	\$ 3,898,070	3,857,354	40,716	1%
Wages - program driven temporary staffing	250,425	256,643	(6,218)	(2)%
Rent, utilities and equipment leases	1,343,304	1,589,923	(246,619)	(16)%
Other operating expenses	546,705	669,106	(122,401)	(18)%
Depreciation expense	1,088,717	1,440,267	(351,550)	(24)%
Program services	7,383,745	8,323,098	(939,353)	(11)%
Total operating expenses	<u>\$ 14,510,966</u>	<u>16,136,391</u>	<u>(1,625,425)</u>	(10)%

Operating expenses in the year ended June 30, 2020 were \$14.5 million as compared to \$16.1 million the previous year for a decrease of \$1.6 million (-10%) and is primarily attributable to the direct impact of COVID-19 and the postponement of programs during the last four months of the fiscal year. Salaries and benefits increased 1% from prior year while rent, utilities and equipment leases decreased \$246 thousand (-16%) and other operating expenses decreased \$122 thousand (-18%) from prior year through intentional reductions of facility and staff operating expenses during the last four months of the year. Depreciation decreased \$352 thousand (-24%) from prior year as equipment reaches full depreciation. Program services decreased \$939 thousand (-11%) from prior year as programming declined due to the impact of COVID- 19.

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

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### Non-operating Revenues and Expenses

Certain revenue sources, including contributions, are defined by GASB as non-operating. Non-operating expenses include capital financing costs and other costs related to capital assets. The following summarizes the Organization's non-operating revenues and expenses for the 2020 and 2019 fiscal years:

	2020	2019	Increase (Decrease)	% Change
Transfers from UMSA	\$ 310,000	1,060,000	(750,000)	(71)%
Interest paid on debt	(527,158)	(569,558)	42,400	(7)%
Total net non-operating revenue (expense)	\$ (217,158)	490,442	(707,600)	(144)%

Non-operating revenue consists of transfers from USF Health to support the Organization's programming. Transfers from UMSA decreased \$750 thousand or (-71%) from prior year. Non-operating expense consists of interest paid on capital leases totaling \$527 thousand for the year ended June 30, 2020 for a (-7%) decrease from prior year.

### Condensed Statements of Cash Flows

The following summarizes cash flows for the 2020 and 2019 fiscal years:

	2020	2019
Cash flows from:		
Operating activities	\$ 1,284,685	2,758,402
Noncapital and related financing activities	398,000	972,000
Capital and related financing activities	(1,756,322)	(1,677,320)
Net increase (decrease) in cash and cash equivalents	(73,637)	2,053,082
Cash and cash equivalents, beginning of year	4,361,743	2,308,661
Cash and cash equivalents, end of year	\$ 4,288,106	4,361,743

Fiscal year 2020 generated positive cash flow from operating activities of \$1.3 million. This represents a decrease of \$1.5 million (-53%) from the \$2.8 million generated in fiscal year 2019.

Noncapital and related financing activities represent transfers from UMSA for continuing education of students and faculty.

Net cash used by capital and related financing activities was \$1.8 million in FY20 and includes \$133 thousand of capital asset purchases, payments of \$1.1 million and \$527 thousand related to capitalized lease obligations and associated interest costs, respectively. The year over year increase of cash outflows is a net reduction in debt payments and reduction of proceeds from the sale of capital assets.

# **USF HEALTH PROFESSIONS CONFERENCING CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

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## **Economic Conditions and Outlook**

The financial outlook for the 2020-2021 fiscal year presents unprecedented challenges as air travel and face-to-face meetings remain constrained due to the pandemic. The CAMLS team and facility is welcoming learners back and successfully demonstrating its safety protocols to returning clients. CAMLS and OCPD are pivoting their program offerings to provide more online and remote training opportunities with live streaming, virtual reality and bringing the training directly to client locations.

The Organization has undertaken strategic operating cost reductions to preserve cash and meet demand.

## **Request for Information**

This financial report is designed to provide a general overview of the Organization's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional information should be addressed in writing to the Chief Financial Officer, USF Health Professions Conferencing Corporation, 124 S. Franklin Street, Tampa, Florida 33602.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Statements of Net Position**

**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,288,106	4,361,743
Accounts receivable, net	650,845	1,376,132
Due from USF/DSO	201,587	287,590
Prepaid expenses	79,381	135,536
Other current assets	<u>21,867</u>	<u>25,782</u>
Total current assets	5,241,786	6,186,783
Noncurrent assets:		
Property and equipment, net	16,306,539	17,261,747
Accounts receivable, noncurrent, net	-	8,160
Other assets	<u>6,650</u>	<u>6,650</u>
Total assets	\$ <u>21,554,975</u>	<u>23,463,340</u>
<b>Liabilities</b>		
Current liabilities:		
Current installments of obligation under capital leases	\$ 1,160,326	1,095,655
Accounts payable	600,315	510,690
Accrued expenses, other	194,733	187,078
Due to USF/DSO's	476,470	952,380
Refunds due to sponsors	5,405	-
Unearned revenue	1,357,885	1,186,926
Other current liabilities	<u>3,180</u>	<u>7,880</u>
Total current liabilities	3,798,314	3,940,609
Noncurrent liabilities:		
Capital lease obligations, net of current portion	12,678,433	13,838,758
Other noncurrent liabilities	<u>-</u>	<u>4,760</u>
Total noncurrent liabilities	<u>12,678,433</u>	<u>13,843,518</u>
Total liabilities	16,476,747	17,784,127
<b>Deferred Inflows of Resources</b>		
Deferred grants	1,515,296	1,540,083
<b>Net Position</b>		
Net investment in property and equipment	2,467,780	2,327,334
Operating unrestricted	<u>1,095,152</u>	<u>1,811,796</u>
Total net position	3,562,932	4,139,130
Commitments and related party transactions	<u>-</u>	<u>-</u>
	\$ <u>21,554,975</u>	<u>23,463,340</u>

See accompanying independent auditor's report and notes to financial statements.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

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

**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Contracts & grants - non USF	\$ 9,176,027	9,564,953
Contracts & grants - USF	3,830,603	4,269,575
Program registration & exhibits	661,169	2,414,410
Rental revenue	403,585	540,638
Investment income	17,912	2,814
Rebates and commissions	<u>62,630</u>	<u>188,935</u>
Total operating revenues	14,151,926	16,981,325
Operating expenses:		
Program services	7,383,745	8,323,099
Supporting services:		
Salaries and benefits	3,898,070	3,857,354
Wages - program driven temporary staffing	250,425	256,643
Rent, utilities, and equipment leases	1,343,304	1,589,923
Other operating expenses	546,705	669,105
Depreciation expense	<u>1,088,717</u>	<u>1,440,267</u>
Total operating expenses	14,510,966	16,136,391
Operating income (loss)	(359,040)	844,934
Other changes:		
Transfers from UMSA	310,000	1,060,000
Interest paid on debt	<u>(527,158)</u>	<u>(569,558)</u>
Total net non-operating revenues (expense)	(217,158)	490,442
Increase (decrease) in net position	(576,198)	1,335,376
Net position, beginning of year	<u>4,139,130</u>	<u>2,803,754</u>
Net position, end of year	\$ <u><u>3,562,932</u></u>	<u><u>4,139,130</u></u>

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Statements of Cash Flows**

**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Programmatic receipts	\$ 13,969,756	15,851,020
Facility operations receipts	1,321,440	1,292,976
Rents and rebate receipts	<u>528,331</u>	<u>637,117</u>
Total receipts	15,819,527	17,781,113
Programmatic disbursements	(8,288,556)	(8,716,211)
Staffing disbursements	(4,403,100)	(4,187,791)
Facility operation disbursements	<u>(1,843,186)</u>	<u>(2,118,709)</u>
Total disbursements	<u>(14,534,842)</u>	<u>(15,022,711)</u>
Net cash provided by operating activities	1,284,685	2,758,402
Cash flows from noncapital and related financing activities:		
Transfers from UMSA	<u>398,000</u>	<u>972,000</u>
Net cash provided by noncapital and related financing activities	398,000	972,000
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(133,509)	(153,950)
Proceeds on sale of fixed assets	-	216,840
Principal payments under short term debt obligations	-	(136,036)
Principal payments under capital lease obligations	(1,095,655)	(1,034,616)
Interest payments on debt and lease obligations	<u>(527,158)</u>	<u>(569,558)</u>
Net cash used in capital and related financing activities	<u>(1,756,322)</u>	<u>(1,677,320)</u>
Net increase (decrease) in cash and cash equivalents	(73,637)	2,053,082
Cash and cash equivalents at beginning of year	<u>4,361,743</u>	<u>2,308,661</u>
Cash and cash equivalents at end of year	<u>\$ 4,288,106</u>	<u>4,361,743</u>

(Continued)

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Statements of Cash Flows - Continued**

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (359,040)	844,934
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	1,088,717	1,440,267
Change in assets and liabilities:		
Accounts receivable and due from USF/DSO	731,451	(461,106)
Prepaid expenses	56,155	17,458
Deferred charges accrued	-	(17,086)
Other assets	3,915	(18,979)
Accounts payable and accrued expenses	(388,090)	205,804
Refunds and deposits due to sponsors	5,405	(28,110)
Unearned revenue	170,959	(17,065)
Deferred inflows of resources	<u>(24,787)</u>	<u>792,285</u>
Net cash provided by operating activities	<u>\$ 1,284,685</u>	<u>2,758,402</u>

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## Notes to Financial Statements

June 30, 2020 and 2019

### (1) **Organization**

#### (a) **Nature of Entity**

USF Health Professions Conferencing Corporation (the “Organization”), a Florida not-for-profit corporation, was incorporated February 7, 2005 and began operations July 1, 2007. The Organization is a direct support organization (“DSO”) of the University of South Florida (“USF” or the “University”) and was established to provide educational, administrative, logistical and financial services to support the Office of Continuing Professional Development (“OCPD”). The OCPD is committed to sponsoring quality continuing education activities to meet the needs of University faculty, alumni and healthcare professionals practicing throughout the state, nationally and internationally. Many of these activities are now conducted at the USF Health Center for Advanced Medical Learning and Simulation (“CAMLS”) which opened in February 2012 in downtown Tampa, Florida. The Organization leases CAMLS from the USF Financing Corporation and is responsible for its day to day operations and programming (see Note 7 for information regarding the related capital lease).

#### (b) **Reporting Entity**

In defining the Organization for financial reporting purposes, management has applied the requirements of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. These statements establish the basis for the reporting entity and whether it is considered a component unit of another entity. The Organization would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and: (1) is able to impose its will on the potential component unit and/or (2) is fiscally dependent and is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit’s board. Chapter 2018-004, Laws of Florida, now requires the prospective approval of all new direct support organization board members. One director shall be selected and appointed by the Chairperson of the University’s Board of Trustees. One director shall be either the President of the University or the designee of the President of the University, pursuant to Florida Statutes Section 1004.28(3). The remaining directors were appointed by the University Senior Vice President for USF Health subject to approval by the University’s Board of Trustees effective March 11, 2018. This change in Florida law and control of the Organization’s governing body requires the Organization to report on a GASB basis. The Organization also meets the financial accountability criteria necessary to be considered a component unit of the University.

Based on the application of these criteria, the Organization is a discretely presented component unit of the University, and its financial balances and activity are reported in the University’s Comprehensive Annual Financial Report.



# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## Notes to Financial Statements - Continued

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The financial statements of the Organization conform to accounting principles generally accepted in the United States of America as prescribed by GASB. The Organization's financial statements are presented in the form of a single enterprise fund.

#### (b) Basis of Accounting

The financial statements of the Organization have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Organization distinguishes operating revenues and expenses from non-operating and other items. Operating revenues are those revenues that are generated from the primary operations of the Organization. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Organization. All other expenses are reported as non-operating expenses.

#### (c) New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, followed by GASB Statement No. 95 in May 2020 delaying the effective date to the Organization's fiscal year beginning July 1, 2021. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for leases based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Organization is evaluating the effect GASB Statement No. 87 will have on its financial statements.

#### (d) Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### (e) Accounts Receivable

Accounts receivable are recorded at net realizable value. The Organization's policy is to provide an allowance for accounts receivable that are not expected to be collected based on aging of the account and specific review of the customer.

Accounts receivable are charged off against the allowance for doubtful accounts when it is determined that the receivable will not be collected. The Organization does not typically charge interest on past-due receivables and does not require collateral for accounts receivable. The Organization had no allowance for doubtful accounts at June 30, 2020 and 2019.

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## Notes to Financial Statements - Continued

### (2) Summary of Significant Accounting Policies - Continued

#### (f) Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of the donation. Property and equipment are depreciated over estimated useful lives ranging from three to forty years using the straight line method.

Costs of donated assets greater than \$1,000 are capitalized. The cost of maintenance and repair of capital assets is charged to expense as incurred, while costs of renewals and betterments are capitalized. When capital assets are replaced, retired, or otherwise disposed of, the costs of such capital assets and the related accumulated depreciation are deducted from the respective asset and accumulated depreciation accounts.

#### (g) Revenue Recognition

Revenues are recognized when the earnings process is substantially complete. CAMLS contractual fees, OCPD participant registrations, exhibitor fees and revenue generated from commercial and institutional grants are recognized when the educational activity has been held or the educational materials have been delivered. Unearned revenues associated with registrations and fees received for contractual programs not yet held, or for educational materials not yet delivered was approximately \$1.4 million and \$1.2 million at June 30, 2020 and 2019, respectively.

#### (h) Deferred Inflows of Resources

In addition to unearned revenues and other liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets by the Organization that is applicable to a future reporting period and will not be recognized as revenue until that time. Grants received for future programming meets this criterion. Grants received for contractual programs not yet held, or for educational materials not yet delivered were approximately \$1.5 million at June 30, 2020 and 2019.

#### (i) Estimates in Financial Statements

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases or decreases in net position during the period. Actual results could differ from those estimates.

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## Notes to Financial Statements - Continued

### (2) Summary of Significant Accounting Policies - Continued

#### (j) Income Taxes

The Organization is exempt from federal income taxes on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the years ending June 30, 2020 and 2019, the Organization's sole source of unrelated business income was conferencing services. At June 30, 2020, management has evaluated the relevant technical merits of their tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no positions that would have a material impact on the financial statements of the Organization. The Organization's income tax filings for the past three years are subject to examination by taxing authorities, and may change upon examination.

#### (k) Change in Accounting Principle

Debt issuance costs from USF Financing Corporation refinancing of the CAMLS Project were capitalized and being amortized over the term of the debt based on Financial Accounting Standards Board (FASB) Standards. Governmental Accounting Standards Board (GASB) Standards require the expense be recognized in the period incurred. At June 30, 2019 the remaining \$21,565 of unamortized costs, which is immaterial, was expensed.

### (3) Concentrations of Credit Risk and Significant Customers

Financial instruments that are exposed to concentrations of credit risk consist of cash, investments and accounts receivable. The Organization maintains deposit balances with what management believes to be high credit quality commercial banks. At June 30, 2020 and 2019, a total of \$4,591,653 and \$4,987,430, respectively, was held in a government checking and savings account which provided the collateral protection required by State of Florida Statute 280 for amounts in excess of the FDIC insurance limits.

Amounts due from four customers were approximately 38% and 42% of total accounts receivable at June 30, 2020 and 2019 respectively. The Organization performs ongoing credit evaluations of its customers and, generally, requires no collateral from them.

Unearned revenue associated with amounts received from one customer was approximately \$194,000, or 14% of total unearned revenue, as of June 30, 2020 and was approximately \$321,000, or 27% as of June 30, 2019.

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## Notes to Financial Statements - Continued

### (4) Property and Equipment

Property and equipment and related activity as of and for the years ended June 30, 2020 and 2019 consisted of the following:

	July 1, 2018	Additions	Disposals	June 30, 2019	Additions	Disposals	June 30, 2020
Furniture and equipment	\$ 751,284	9,525	14,562	746,247	26,626	-	772,873
Computers	2,036,383	43,852	20,449	2,059,786	16,559	4,470	2,071,875
Medical equipment	10,188,521	68,068	-	10,256,589	64,865	7,500	10,313,954
Leasehold improvements	1,599,770	32,505	-	1,632,275	25,459	-	1,657,734
Special use building	20,907,385	-	-	20,907,385	-	-	20,907,385
Total capital assets	35,483,343	153,950	35,011	35,602,282	133,509	11,970	35,723,821
Less accumulated depreciation	(16,935,280)			(18,340,535)			(19,417,282)
	<u>\$ 18,548,063</u>			<u>17,261,747</u>			<u>16,306,539</u>

Depreciation expense was \$1,088,717 and \$1,440,267 for the years ended June 30, 2020 and 2019, respectively.

### (5) Retirement Plans

The Organization's employees are employed by UMSA or the State of Florida (USF). UMSA employees participate in a defined contribution tax-deferred annuity retirement plan that covers substantially all eligible personnel upon completion of one year of service. USF employees choose between a defined contribution tax-deferred annuity retirement plan or defined benefit pension plan that covers substantially all eligible personnel. Under these plans the Organization contributes at the rate of 3.3% to 7.85% of each eligible individual's total compensation depending on the retirement plan selected. Contribution expense related to the plans was approximately \$179,000 and \$159,000 for the years ended June 30, 2020 and 2019, respectively.

The Organization's employees can also participate in a voluntary tax-deferred annuity plan. Under this plan, all personnel may make voluntary contributions through the purchase of individual annuity contracts. Both of the retirement plans are sponsored by UMSA.

### (6) In-Kind Donations

The Organization receives in-kind support in the furtherance of its objectives. The in-kind support consists principally of training supplies or equipment. In-kind support is recorded at its fair value on the date of donation and expensed when consumed or capitalized and depreciated over its useful life.

### (7) Leases

The Organization has several non-cancellable operating leases for office facilities and equipment. Rent expense for the years ended June 30, 2020 and 2019 was approximately \$237,000 and \$271,000, respectively.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Notes to Financial Statements - Continued**

**(7) Leases - Continued**

The Organization is also obligated under two capital leases at June 30, 2020. The first capital lease is for certain medical equipment and requires monthly payments of \$32,050 through July 2022. Included in the monthly lease payments are amounts paid for services of \$12,840. These amounts are expensed each month when paid. The gross amount of equipment and the related accumulated amortization recorded under this capital lease were \$1,026,937 and \$671,019 respectively, at June 30, 2020. The gross amount of equipment and the related accumulated amortization recorded under this capital lease were \$1,026,937 and \$447,336 respectively, at June 30, 2019.

The second capital lease, signed in December 2010, relates to the Organization’s CAMLS facility in Tampa, Florida which was completed in February 2012. As discussed in Note 9, this lease is with a related party, the USF Financing Corporation (“USFFC”). The term of the lease is through June 30, 2051 with lease payments through December 31, 2031 equivalent to the USFFC debt repayment schedule. Subsequent lease payments will be adjusted to an amount mutually agreeable once the debt obligation is satisfied in full. The gross amount of the building and the related accumulated amortization recorded under this capital lease were \$20,907,385 and \$5,570,614, respectively, at June 30, 2020. During fiscal year 2018, USFFC refinanced the debt associated with CAMLS reducing the net interest rate from 4.01% to 3.51% which in turn reduced the Organization’s annual lease payments to approximately \$1.52 million through 2031.

The gross amount of the facility and equipment and the related accumulated amortization recorded under capital leases at June 30, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>
Facility and equipment	\$ 21,934,322	21,934,322
Accumulated amortization	<u>(6,241,633)</u>	<u>(5,523,665)</u>
	<u>\$ 15,692,689</u>	<u>16,410,657</u>

Amortization of the assets held under these capital leases is included in depreciation expense.

At inception of lease, interest rates on capitalized leases are imputed based on the lower of the Organization’s incremental borrowing rate at the inception of each lease or the lessor’s implicit rate of return and range from 3.51% on the facility lease to 4.64% on the equipment lease.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Notes to Financial Statements - Continued**

**(7) Leases - Continued**

The present value of future minimum capital lease payments and future minimum lease payments on non-cancellable operating leases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2021	\$ 1,646,506	209,100	1,855,606
2022	1,671,660	154,080	1,825,740
2023	1,467,839	12,840	1,480,679
2024	1,496,193	-	1,496,193
2025	1,526,298	-	1,526,298
Thereafter	<u>9,016,217</u>	<u>-</u>	<u>9,016,217</u>
Total minimum lease payments	16,824,713	<u>376,020</u>	<u>17,200,733</u>
Less amount representing interest	<u>2,985,954</u>		
Present value of minimum capital lease payments	13,838,759		
Current installments of capital lease obligations	<u>1,160,326</u>		
Capital lease obligations, less current installments	\$ <u>12,678,433</u>		

**(8) Loan**

The Organization signed a loan agreement on March 9, 2017, with Branch Banking and Trust Company for \$311,683. The loan was for the acquisition of certain medical equipment and required 3 monthly payments of \$100 followed by 21 monthly payments of \$15,469 through March 2019. The interest rate in effect on the loan was 3.650%. The loan was paid in full as of June 30, 2019.

**(9) Related Party Transactions**

In the normal course of business the Organization transacts with the following related parties:

<u>Related Party</u>	<u>Relationship</u>
University of South Florida ("USF" or the "University")	Governing Organization
University Medical Services Association, Inc. ("UMSA")	Direct support organization of Governing Organization
USF Financing Corporation ("USFFC")	Direct support organization of Governing Organization
USF Foundation	Direct support organization of Governing Organization
USF Health & Education International Foundation ("H&EIF")	Affiliate of Governing Organization

# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## Notes to Financial Statements - Continued

### (9) Related Party Transactions - Continued

#### *Summary of Transactions with Related Parties*

The significant related party balances and transactions as of and for the year ended June 30, 2020 and 2019 are summarized and approximated as follows:

#### *Programming, Facility Operations and Support Revenue*

The Organization receives contractual funding and transfers for continuing education, training and academic programming.

The summary of transactions related to the Organization's delivery of programming included in Operating revenues, as well as support included in Non-operating revenues is as follows:

	2020		2019	
	Amount of Transaction for the Year Ending June 30, 2020	Outstanding Receivable Balance at June 30	Amount of Transaction for the Year Ending June 30, 2019	Outstanding Receivable Balance at June 30
Operating revenue:				
UMSA	\$ 439,001	(1,099)	618,525	103,836
USF	3,561,380	197,286	3,836,491	75,293
USF Foundation	10,637	5,400	20,383	4,000
H&EIF	-	-	-	16,461
Non-operating revenue:				
UMSA	310,000	-	1,060,000	88,000
	\$ 4,321,018	201,587	5,535,399	287,590

The Organization's financial statements report the financial management of H&EIF revenues and expenses at net rather than gross. The gross amount of transactions was approximately \$161,000 and \$182,000 for the years ended June 30, 2020 and 2019, respectively, of which, the Organization retained \$5,041 and \$9,723, respectively, for financial management services. The operations of H&EIF, which were physically located in Panama, were discontinued as of December 31, 2019. However, USF remains strongly committed to maintaining its academic affiliations and student, research, and training activities in Panama.

#### *Summary of Transactions with Related Parties - Continued*

#### *Outsourcing Services*

All of the Organization's personnel are either employees of UMSA or employees of the University. The Organization has entered into service agreements or approved allocations of various support services based on actual usage or cost allocation in the following areas: staffing, personnel services, payroll processing, internal audit, information technology, vivarium services, instructors and other related functions. In addition, HPCC contracts with various USF departments and the net revenues from these activities are either retained by HPCC for use in future programs or paid out.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Notes to Financial Statements - Continued**

**(9) Related Party Transactions - Continued**

The summary of transactions arising from the Organization's service agreements and related charges included in operating expenses is as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount of Transaction for the Year</u>	<u>Outstanding Payable Balance at June 30</u>	<u>Amount of Transaction for the Year</u>	<u>Outstanding Payable Balance at June 30</u>
UMSA	\$ 1,920,605	289,315	2,390,513	579,811
USF	2,588,412	187,155	2,718,082	368,502
H&EIF	-	-	-	4,067
	<u>\$ 4,509,017</u>	<u>476,470</u>	<u>5,108,595</u>	<u>952,380</u>

*Lease Transactions (Organization as Lessee)*

The summary of transactions arising from the Organization's capitalized lease agreement allocated between insurance and management fees included in operating expenses and interest included in non-operating expenses and principal as a reduction of capital lease obligations, net of current portion is as follows:

	<u>2020</u>			<u>2019</u>		
	<u>Amount of Transaction for the Year</u>	<u>Current Installments of Obligation Under Capital Lease at June 30</u>	<u>Obligation Under Capital Leases, Excluding Current Installments at June 30</u>	<u>Amount of Transaction for the Year</u>	<u>Current Installments of Obligation Under Capital Lease at June 30</u>	<u>Obligation Under Capital Leases, Excluding Current Installments at June 30</u>
USFFC	\$ 1,478,648	945,664	12,453,596	1,453,393	890,707	13,399,260

**(10) Deferred Inflows of Resources**

As of June 30, 2020 and 2019, deferred inflows of resources relate to the following:

	<u>2020</u>	<u>2019</u>
Grant specific continuing education program activities	\$ <u>1,515,296</u>	<u>1,540,083</u>



# USF HEALTH PROFESSIONS CONFERENCING CORPORATION

## Notes to Financial Statements - Continued

### (11) Risks and Uncertainties

The novel coronavirus (“COVID-19”) spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts will likely affect operations through the remainder of 2020, although such effects may vary significantly. The Organization’s program registrations and on-site training programs have seen reduced demand since the pandemic declaration and management anticipates that to continue for the remainder of fiscal 2021. The duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of the curtailment of various business and societal activities and the long-term effect on the demand for the Organization’s programs and services. Accordingly, significant estimates used in the preparation of the financial statements including those associated with evaluations of certain long-lived assets for impairment and expected credit losses on amounts owed to the Organization may be subject to significant adjustments in future periods.

### (12) Subsequent Events

The Organization has evaluated subsequent events through October 12, 2020, the date the financial statements were available for issuance.

The capital lease related to the Organization’s CAMLS facility in Tampa, Florida as discussed in Notes 7 and 9 is with a related party, the USF Financing Corporation (USFFC). As of August 31, 2020, USFFC refinanced the debt associated with the CAMLS capital lease reducing the net interest rate from 3.51% to 2.25%, which will in turn reduce the Organization’s future lease payments by approximately \$871,000 through 2031.

**USF HEALTH PROFESSIONS CONFERENCING CORPORATION**

**Schedule of Functional Expenses**

**Year Ended June 30, 2020  
(With Comparative Totals for 2019)**

	Program Services	Management and General	Total Expenses	
			2020	2019
Salaries and benefits	\$ 2,857,675	1,290,820	4,148,495	4,113,996
Educational partner expenses	5,771,948	-	5,771,948	4,658,302
Materials and supplies	734,401	6,894	741,295	1,205,598
Support services	231,495	115,190	346,685	388,820
Expendable furniture and equipment	16,657	3,388	20,045	25,220
Brochure design, printing and mailing	98,490	575	99,065	127,512
Audio visual, catering and room rentals	159,843	358	160,201	619,181
Honoraria and consultants	412,194	22,752	434,946	739,292
Travel - speakers and staff	68,662	7,140	75,802	495,956
Marketing and development	20,370	-	20,370	33,800
Residuals and refunds to sponsors	218,528	-	218,528	615,034
Utilities, repairs and maintenance	1,115,547	17,565	1,133,112	1,341,251
Facilities rent	-	25,028	25,028	63,926
Equipment leases	186,581	10,808	197,389	200,365
Interest	502,079	25,079	527,158	569,558
Depreciation and amortization	1,058,905	29,812	1,088,717	1,440,267
In-kind	29,340	-	29,340	67,871
Total expenses	\$ <u>13,482,715</u>	<u>1,555,409</u>	<u>15,038,124</u>	<u>16,705,949</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***

The Board of Directors  
USF Health Professions Conferencing Corporation:

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of USF Health Professions Conferencing Corporation (a nonprofit organization), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered USF Health Professions Conferencing 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 USF Health Professions Conferencing Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 USF Health Professions Conferencing 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MAYER HOFFMAN McCANN P.C.

October 12, 2020  
Clearwater, Florida



## Mayer Hoffman McCann P.C.

13577 Feather Sound Drive, Suite 400 ■ Clearwater, FL 33762  
Main: 727.572.1400 ■ Fax: 727.571.1933 ■ [www.mhmcpa.com](http://www.mhmcpa.com)

October 12, 2020

To the Board of Directors and Finance and Audit Committee  
USF Health Professions Conferencing Corporation:

We have audited the financial statements of USF Health Professions Conferencing Corporation (“HPCC” or the “Organization”) for the year ended June 30, 2020, and have issued our report thereon dated October 12, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 7, 2020. 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 USF Health Professions Conferencing Corporation are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization 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.

As a result of the Florida Excellence in Higher Education Act of 2018, for all universities within the State University System (“SUS”) of Florida, the university board of trustees must approve all appointments to the board of directors of any university direct support organization (“DSO”). This change required all SUS university DSOs, including HPCC, to follow the Governmental Accounting Standards Board (“GASB”) financial accounting framework beginning in the fiscal year ended June 30, 2019. Fiscal 2019 financial statements are presented for comparative purposes.

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 estimates affecting the financial statements were:

Management’s estimate of the allowance for uncollectible accounts receivable is based on historical experience and an analysis of the collectability of individual receivable balances. We evaluated the key factors and assumptions used by management to develop the allowance (or lack thereof) in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of accumulated depreciation and amortization of property and equipment and related depreciation and amortization expense is based on the current physical condition of property and equipment and current and anticipated economic conditions affecting their useful lives. We evaluated the key factors and assumptions used by management in determining original and remaining useful lives to ascertain that accumulated depreciation and depreciation expense are reasonable in relation to the financial statements as of and for the year ended June 30, 2020, taken as a whole. The procedures used by management and the amounts seem reasonable at this time.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The risks and uncertainties facing HPCC as a result of the impact of the COVID-19 pandemic are disclosed in Note 11 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### ***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 misstatements identified during the audit, other than those that are clearly 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 the 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 October 12, 2020.

#### ***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 Organization's financial statements or a determination of the type of auditor's 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 Organization'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**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

MAYER HOFFMAN McCANN P.C.

Mayer Hoffman McCann P.C.  
Clearwater, Florida