



# Financial Statements (and Other Financial Information)

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***Florida Clinical Practice Association, Inc.  
(A Component Unit of the University of Florida)***

*Years Ended June 30, 2020 and 2019*

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Table of Contents*

*Years Ended June 30, 2020 and 2019*

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Independent Auditor’s Report.....1

Management’s Discussion and Analysis .....3

*Financial Statements*

Statements of Net Position.....13  
Statements of Revenue, Expenses and Changes in Net Position.....15  
Statements of Cash Flows.....17  
Notes to Financial Statements.....19

*Other Financial Information*

Statements of Revenue, Expenditures and Changes in Net Position of Fund 171 –  
Transfers from Component Units Fund (HSCFCPA) - Unaudited.....40  
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.....41



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Florida Clinical Practice Association, Inc.:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of the Florida Clinical Practice Association, Inc. (the FCPA) (a component unit of the University of Florida), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the FCPA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The FCPA's 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 FCPA'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 FCPA'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 the business-type activities of the Florida Clinical Practice Association, Inc. 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.

***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 12 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the FCPA's basic financial statements. The Statements of Revenue, Expenditures and Changes in Net Position of Fund 171 – Transfers from Component Units Fund (HSCFCPA) are presented for purposes of additional analysis and are not a required part of the basic 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 our report dated September 29, 2020 on our consideration of the FCPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 FCPA's internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida  
September 29, 2020

## **Management's Discussion and Analysis**

## **FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

### ***Management's Discussion and Analysis***

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This section of the Florida Clinical Practice Association, Inc.'s (the FCPA) annual report presents management's discussion and analysis of the FCPA's financial performance during the fiscal year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes. The financial statements, footnotes, and this discussion and analysis are the responsibility of management.

While maintaining its financial health is crucial to the long-term viability of the FCPA, the primary mission of the FCPA is to bill and collect clinical professional fees to fund the educational, clinical, and research missions of the University of Florida College of Medicine, Gainesville Campus (College of Medicine). Therefore, an increase in net position is only necessary to ensure that there are sufficient reserve funds for future operations and implementation of new programs of the College of Medicine.

### **FINANCIAL HIGHLIGHTS**

The FCPA took a significant financial hit from the effects of the COVID-19 pandemic (pandemic) during fiscal year 2020. The pandemic is highlighted frequently in key summaries for the year. On March 20, 2020, Florida's Governor issued an executive order for the State of Florida that prohibited the provision of certain medical elective services. In addition, the Governor issued a statewide "Safer at Home" executive order restricting movements outside the home to access essential services. Both orders led to a significant negative impact on volumes in clinic and hospital services. The elective procedures order was lifted on May 4, 2020 but the rebound was not immediate. The rebound process will continue into fiscal year 2021. The FCPA notified TD Bank that we were not in compliance with our Debt Service Coverage Ratio on the June 30, 2020 testing date. We requested that the bank waive the covenant default and a waiver was granted.

During fiscal year 2020 the College and UF Health began implementation of its regional affiliation strategy seeking to establish a broad network of health systems and providers that builds and extends its national and regional standing as a premier academic medical center. The structure created for this strategy is the Regional Physician Network (RPN). Most of the hiring for provision of services for the RPN started during the final quarter of the current fiscal year and the RPN is referenced as having an impact on some of the key highlights.

The FCPA's net position decreased \$15.6 million or 9.7% during fiscal year 2020. The decrease in net position was primarily a result of decreased patient revenue due to the impact of the pandemic. Operating revenue was \$706.1 million and increased \$14 million or 2% over the prior year. Total operating expense of \$208.6 million increased \$18.8 million or 9.9% when compared to the prior year.

Professional fees from direct patient care of \$454.1 million increased \$10.1 million or 2.3% during fiscal year 2020 from the prior year. The increase in direct patient care revenue is primarily the result of an increase in Medicaid enhanced payment revenue in the current year of \$13 million. Other direct patient care revenue decreased \$2.9 million compared to the previous year. The decrease is evidenced by a 2% decrease in patient visits in the current fiscal year. These decreases

## **FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

### ***Management's Discussion and Analysis - Continued***

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are attributed to actions taken by the College to adhere to government mandates that occurred due to the pandemic. For the eight-month fiscal year-to-date period at February 29, 2020, prior to the Governor's executive orders, the FCPA was up 4.2% in direct patient care revenue and 5.2% in patient visits when compared to the same eight-month period last fiscal year.

Professional fees from indirect patient care and other revenue of \$252 million increased \$3.9 million or 1.6% during fiscal year 2020 compared to the prior year. The increase was due to additional revenue from two existing contracts and a new RPN contract this year.

Investment income of \$1.5 million decreased \$1.1 million or 43.6% during fiscal year 2020 from the prior year. Investment income was down primarily due to a \$.9 million decrease in the fair market value of the FCPA's investment portfolio and lower rate of interest earned in the fourth quarter on our cash balances. Both decreases were due to the pandemic.

Interest expense for long-term debt and capital lease obligations in the 2020 fiscal year was \$2.3 million. This was a \$.5 million increase from the prior year. The increase in interest expense was the result of a full year of interest on debt acquired in March 2019 used to build, furnish and equip the ophthalmology and otolaryngology clinic. The clinic opened in January 2020.

Transfers increased \$21.7 million or 4.4% to \$520.7 million during the 2020 fiscal year. The key drivers of the increase were personnel hires for key clinical departments as well as staffing for the new RPN. The RPN total impact on salaries and benefits was \$5.6 million in fiscal year 2020. Effective October 1, 2019, the University provided a 1% raise to all faculty, a 2% merit raise pool for staff and an increase of \$1 to staff minimum wage. In addition to the proportionate increase of fringe benefits to salaries, the University fringe pool rates increased for most employee classes. Housestaff stipends were up approximately \$3.5 million in fiscal year 2020 due to a stipend rate increase and an increase in the University housestaff fringe pool rate. Non-salary expenses decreased by \$1.2 million or 2.9% and University overhead increased by \$1.6 million for the fiscal year. The decrease in non-salary expenses was due to expense reduction measures taken during the fourth quarter to minimize the negative impact the pandemic had on revenue. The College of Medicine also invested approximately \$6.4 million from FCPA funds in education and research. This investment decreased \$3.2 million compared to the prior fiscal year. The overall FCPA transfer requirement to fund expense increases was minimized by additional State General Revenue funding the College received from the Office of Senior Vice President for Health Affairs. These funds were to help mitigate the impact of the College's pandemic related revenue losses.

The overall financial health of the FCPA remains strong. The FCPA's net position decreased by \$15.6 million or 9.7% to \$144.5 million. Current assets of \$175.7 million are more than sufficient to cover current liabilities of \$42 million. The FCPA has \$83.6 million in long-term debt and capital lease obligations less current portion at June 30, 2020.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Management's Discussion and Analysis - Continued*

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board. These statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

#### FINANCIAL ANALYSIS OF THE ASSOCIATION

**Table 1 - Condensed Statements of Assets**

	<i>2020</i>	<i>2019</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>	<i>Percentage of 2020 Total</i>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 77,102,918	\$ 75,298,501	\$ 1,804,417	2.40%	27.86%
Patient accounts receivable, net	45,301,356	39,771,642	5,529,714	13.90%	16.37%
Other current assets (excluding short term investments)	25,877,373	19,261,623	6,615,750	34.35%	9.35%
Investments - long term and short term	35,343,874	34,672,027	671,847	1.94%	12.77%
Property and equipment, net	91,816,035	83,901,748	7,914,287	9.43%	33.18%
Facilities entitlements, net	1,254,961	1,657,309	(402,348)	-24.28%	0.45%
Assets Limited as to Use	-	23,057,968	(23,057,968)	100.00%	0.00%
Other assets	43,129	38,049	5,080	13.35%	0.02%
<b>TOTAL ASSETS</b>	<b>\$ 276,739,646</b>	<b>\$ 277,658,867</b>	<b>\$ (919,221)</b>	<b>-0.33%</b>	<b>100.00%</b>

At June 30, 2020, total assets for the FCPA were \$276.7 million, a decrease of \$.9 million or .3% from the prior year.

The FCPA's most significant asset was property and equipment, net. Property and equipment, net was \$91.8 million or 33.2% of total assets at June 30, 2020. Property and equipment, net increased by \$7.9 million or 9.4% from the prior year. The increase in property and equipment, net was primarily the result of completing construction of the ophthalmology and otolaryngology clinic. The ophthalmology and otolaryngology clinic was placed in service January 2020.

**Table 2 - Capital Assets, Net**

	<i>2020</i>	<i>2019</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>	<i>Percentage of 2020 Total</i>
Building	\$ 60,862,168	\$ 62,742,968	\$ (1,880,800)	-3.00%	65.39%
Land	1,648,523	1,648,523	-	0.00%	1.77%
Leasehold improvements	19,133,310	1,126,519	18,006,791	1598.45%	20.56%
Furniture, fixtures and equipment	10,021,172	5,021,479	4,999,693	99.57%	10.77%
Capital assets in progress	150,862	13,362,259	(13,211,397)	-98.87%	0.16%
Facilities entitlements	1,254,961	1,657,309	(402,348)	-24.28%	1.35%
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 93,070,996</b>	<b>\$ 85,559,057</b>	<b>\$ 7,511,939</b>	<b>8.78%</b>	<b>100.00%</b>

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Management's Discussion and Analysis - Continued*

At June 30, 2020, the FCPA had \$93.1 million invested in a broad range of capital assets, net of accumulated depreciation and amortization of \$66.3 million, including facilities entitlements. The amount represents a net increase (including additions and deductions) of approximately \$7.5 million or 8.8% compared to last year. The increase was primarily the result of current year construction costs to complete the ophthalmology and otolaryngology clinic.

The FCPA's most significant capital asset is its buildings. During fiscal year 2013, the FCPA placed in service the Main Street Community Health and Family Medicine Clinic and the 39<sup>th</sup> Avenue Medical Office Building at Springhill. In fiscal year 2019, the FCPA placed a second medical office building in service at 39th Avenue (Springhill II).

For fiscal year 2021, the FCPA has approximately \$2.1 million budgeted for capital expenditures that will be used to renovate and equip clinics and fund various additional capital projects. In addition, \$3 million is estimated to purchase magnetoencephalography (MEG) equipment. MEG is a non-invasive diagnostic tool that can help neurologists and neurosurgeons evaluate and map brain activity before surgery.

The FCPA's second most significant asset was cash and cash equivalents. Cash and cash equivalents were \$77.1 million or 27.9% of total assets at June 30, 2020. Cash and cash equivalents increased by \$1.8 million or 2.4% from the prior year.

The FCPA's third most significant asset was net patient accounts receivable. Net patient accounts receivable were \$45.3 million or 16.4% of total assets at June 30, 2020. Net patient accounts receivable increased by \$5.5 million or 13.9% from the prior year. The increase in net patient accounts receivable is primarily because of the increase due from the Medicaid Enhanced Payment Program at June 30, 2020.

**Table 3 - Patient Accounts Receivable, Net**

	<i>2020</i>	<i>2019</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>
Beginning accounts receivable	\$ 128,679,672	\$ 121,786,719	\$ 6,892,953	5.66%
Net charges	476,513,426	474,477,703	2,035,723	0.43%
Payments	(460,111,080)	(450,499,936)	(9,611,144)	2.13%
Bad debt write off	(43,676,914)	(40,728,276)	(2,948,638)	7.24%
Refunds	26,840,389	23,643,462	3,196,927	13.52%
Accounts receivable	128,245,493	128,679,672	(434,179)	-0.34%
Reserve for contractual adjustments	(92,380,434)	(91,803,744)	(576,690)	0.63%
Reserve for uncollectible accounts	(4,614,838)	(4,817,125)	202,287	-4.20%
Sub-total accounts receivable, net Medicaid Enhanced Payment and Low Income Pool Programs	31,250,221 14,051,135	32,058,803 7,712,839	(808,582) 6,338,296	-2.52% 82.18%
Total accounts receivable, net	\$ 45,301,356	\$ 39,771,642	\$ 5,529,714	13.90%

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Management's Discussion and Analysis - Continued*

The FCPA's fourth most significant asset was investments - long term and short term. Investments - long term and short term were \$35.3 million or 12.8% of total assets at June 30, 2020. Investments - long term and short term increased by \$.7 million from the prior year. The increase is due to the FCPA's reinvestment of \$1.6 million of interest and dividends earned during the year. This increase was reduced by a \$.9 million year to year comparative fair market value decrease of the FCPA's investment portfolio. Investments - long term and short term includes our investment in UF Health South Central, LLC partnership (the LLC). The LLC is accounted for under the equity method.

**Table 4 - Condensed Statements of Liabilities**

	2020	2019	Increase (Decrease)	Percent Change	Percentage of 2020 Total
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 23,281,969	\$ 21,852,557	\$ 1,429,412	6.54%	17.60%
Long-term debt and capital lease obligations, including current portions	87,566,882	92,205,826	(4,638,944)	-5.03%	66.21%
Fair Value of Interest Rate Swap	6,643,650	1,685,148	4,958,502	294.25%	5.02%
Third-party advanced payments	14,589,724	-	14,589,724	100.00%	11.03%
Unearned revenue	168,330	1,847,009	(1,678,679)	-90.89%	0.13%
<b>TOTAL LIABILITIES</b>	<b>\$ 132,250,555</b>	<b>\$ 117,590,540</b>	<b>\$ 14,660,015</b>	<b>12.47%</b>	<b>100.00%</b>

At June 30, 2020, total liabilities for the FCPA were \$132.3 million. Total liabilities increased \$14.7 million or 12.5% when compared to the prior year.

The FCPA's most significant liability is its long-term debt and capital lease obligations of \$87.6 million or 66.2% of total liabilities at June 30, 2020. Long-term debt and capital lease obligations were \$92.2 million in the prior year. The FCPA had a debt to total assets ratio of 31.6% in fiscal year 2020 and 33.2% in fiscal year 2019. Long-term debt and capital lease obligations decreased \$4.6 million. The decrease is due to principal payments of \$2.6 million and forgiveness of a \$2 million note as part of a tax credit program.

More detailed information about the FCPA's long-term debt and capital lease obligations is presented in Notes F and G, respectively, to the financial statements.

The FCPA's second most significant liability is its accounts payable and accrued expenses, which is \$23.3 million or 17.6% of total liabilities at June 30, 2020. Accounts payable and accrued expenses increased by \$1.4 million or 6.5%.

The FCPA's third most significant liability was third-party advanced payments. Third-party advanced payments were \$14.6 million or 11% of total liabilities at June 30, 2020. There were no third-party advanced payments in the prior year. The advanced payments were made available to the FCPA as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the pandemic.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### Management's Discussion and Analysis - Continued

*Net Position:* Net position decreased by \$15.6 million or 9.7% to \$144.5 million. Current assets of \$175.7 million are more than sufficient to cover current liabilities of \$42 million. The FCPA has \$83.6 million in long-term debt and capital lease obligations less current portion at June 30, 2020.

**Table 5 - Condensed Statements of Revenue and Expenses**

	2020	2019	Increase (Decrease)	Percent Change
<b>OPERATING ACTIVITIES:</b>				
Professional fees from direct patient care	\$ 454,111,829	\$ 443,996,286	\$ 10,115,543	2.28%
Professional fees from indirect patient care	153,960,482	152,359,509	1,600,973	1.05%
Other revenue	98,015,701	95,702,332	2,313,369	2.42%
TOTAL OPERATING REVENUE	706,088,012	692,058,127	14,029,885	2.03%
<b>OPERATING EXPENSES:</b>				
Contractual services	164,018,106	149,844,813	14,173,293	9.46%
Other operating expenses	44,565,282	39,900,990	4,664,292	11.69%
TOTAL OPERATING EXPENSES	208,583,388	189,745,803	18,837,585	9.93%
OPERATING INCOME	497,504,624	502,312,324	(4,807,700)	-0.96%
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Investment income	1,472,864	2,612,156	(1,139,292)	-43.62%
Interest expense, net	(2,274,686)	(1,769,972)	(504,714)	28.52%
Gain on extinguishment of debt	1,929,500	-	1,929,500	100.00%
Change in mark-to-market of interest rate swaps	(4,958,502)	(3,432,001)	(1,526,501)	44.48%
Loss on disposal of property and equipment	(2,985)	(85,179)	82,194	-96.50%
Federal assistance revenue	11,490,094	-	11,490,094	100.00%
NET NONOPERATING REVENUE (EXPENSES)	7,656,285	(2,674,996)	10,331,281	386.22%
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>				
	505,160,909	499,637,328	5,523,581	1.11%
<b>TOTAL TRANSFERS</b>	(520,740,145)	(499,044,662)	(21,695,483)	4.35%
<b>(DECREASE) INCREASE IN NET POSITION</b>	\$ (15,579,236)	\$ 592,666	\$ (16,171,902)	-2728.67%

Current year revenues were less than operating expenses and transfers resulting in a decrease in net position for the current year of \$15.6 million.

*Operating Revenue:* Total operating revenue for the current year was \$706.1 million. Professional fees from direct patient care are the most significant source of revenue representing \$454.1 million or 64.3% of the total operating revenue.

**Table 6 - Professional Fees from Direct Patient Care**

	2020	2019	Increase (Decrease)	Percent Change
Charges	\$ 1,476,404,919	\$ 1,472,687,701	\$ 3,717,218	0.25%
Contractual adjustments	(1,001,499,086)	(1,011,362,102)	9,863,016	-0.98%
Provision for bad debt	(20,794,004)	(17,329,313)	(3,464,691)	19.99%
Net direct charges from patient care	\$ 454,111,829	\$ 443,996,286	\$ 10,115,543	2.28%

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Management's Discussion and Analysis - Continued*

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Professional fees from direct patient care increased \$10.1 million or 2.3% during the 2020 fiscal year when compared to the prior year. Total charges increased \$3.7 million or .3%.

Contractual adjustments decreased \$9.9 million or 1%. Contractual adjustments in absolute dollars decreased because of an increase in Medicaid Enhanced Payment Program revenue. Contractual adjustments as a percentage of charges decreased .9% to 67.8% compared to the prior year.

Provision for bad debt increased \$3.5 million or 20%. The increase is primarily due to a change that took effect July 2019 in how self-pay accounts that are set up on a payment plan are accounted for. Prior to this change in policy, payment plan accounts were part of active patient accounts receivable. With the change, payment plan accounts are adjusted off the active accounts receivable (AR) and are moved to external AR. External AR is accounted for as bad debt. The July 2019 one-time charge of \$3.1 million was for legacy payment plan accounts that had accumulated from prior periods.

Professional fees from indirect patient care of \$154 million increased \$1.6 million or 1.1% during the 2020 fiscal year. The increase was due to additional revenue from two existing contracts and a new contract this year as part of the RPN.

Other revenue increased \$2.3 million or 2.4% during the 2020 fiscal year.

*Operating Expenses:* Total operating expenses for the current year were \$208.6 million. Operating expenses increased \$18.8 million or 9.9% when compared to the prior year. The contractual services expense of \$164 million (78.6% of total operating expenses) is the most significant operating expense. This expense increased \$14.2 million or 9.5% from the prior year. Other operating expenses increased \$4.7 million or 11.7% in the current year.

In July 2002, the College of Medicine entered into an employee-leasing contract with UF Health Shands Hospital (Shands) to staff the College of Medicine's medical clinics and medical billing. Employee-leasing contractual services for clinic and billing operations provided by Shands represent the largest portion of the contractual services at \$77.3 million an increase of \$5.3 million or 7.4% over the prior fiscal year. The increase is attributed to additional costs associated with raises for leased employees and growth including the RPN initiative.

Other operating expenses were \$44.6 million and increased \$4.7 million or 11.7% compared to the prior year. The increase in other operating expenses was attributed to an increase in fourth quarter purchases of revenue producing supplies. Other operating expenses as a percentage of operating revenue were 6.3% in the current fiscal year and 5.8% in the prior fiscal year.

*Nonoperating Revenue (Expenses):* Total nonoperating revenue (net of expenses) for the current year was a net operating revenue of \$7.7 million compared to a net operating loss of \$2.7 million in the prior fiscal year. This resulted in a positive variance of \$10.3 million. Federal assistance revenue of \$11.5 million in the current year was the reason for the positive variance. The federal assistance payments, received to cover lost revenue and/or pandemic health-related expenses, was part of the CARES Act.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Management's Discussion and Analysis - Continued*

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Investment income decreased \$1.1 million from the prior year. Investment income was primarily down due to a decrease in the fair market value of our investment portfolio and a decrease in dividend and interest earnings in the fourth quarter due to the pandemic.

The fair value of the mark-to-market interest rate swaps decreased \$1.5 million compared to the prior year. This decrease was a result of the current market conditions. See Note I to the financial statements for additional information.

Interest expense for long-term debt and capital lease obligations in the 2020 fiscal year was \$2.3 million. This was a \$.5 million increase from the prior year. The increase in interest expense was the result of a full year of interest on debt used to build, furnish and equip the ophthalmology and otolaryngology clinic. The clinic opened in January 2020.

*Transfers:* Transfers increased \$21.7 million or 4.4% to \$520.7 million during the 2020 fiscal year. Current year Salaries and Benefits (excluding housestaff stipends) funded by the FCPA increased by \$21.1 million. In addition, funding for fiscal year 2019 incentives paid in fiscal year 2020, increased by \$1.4 million over prior year funding because of higher clinical incentives earned in 2019. Current year salaries increased \$14 million or 4.5% over the prior year while benefits increased \$7.1 million or 11.3%. The increase in salaries was primarily due to the cost of new hires in some clinical departments as well as the Regional Physician Network. RPN's total impact on salaries and benefits was \$5.6 million in fiscal year 2020. The University provided a 1% raise to all faculty, a 2% staff merit raise pool and a \$1 increase to staff minimum wage effective October 1, 2019. In addition to the proportionate increase of fringe benefits to salaries, the UF fringe pool rates increased for most employee classes. The impact of all these increases on FCPA transfers was minimized by additional State General Revenue funding received from the Office of Senior Vice President for Health Affairs (SVPHA). The SVPHA support was provided to the College to mitigate the impact of the College's pandemic related revenue losses. Funding of non-salary expenses decreased by \$1.2 million or 2.9% but funding for University Overhead increased by \$1.6 million during the same period. The decrease in non-salary funding was due to expense reduction measures taken during the fourth quarter to minimize the negative impact the pandemic had on revenue. The change in available cash balance in UF Fund 171 was \$1.4 million lower than the prior year. The decrease in transfer to Fund 171 was due to a higher balance at the beginning of the current year as compared to the prior year. Housestaff contracts with Shands and the Veterans Administration Hospital are recognized by the FCPA as contractual revenue. Transfers are made to the University on a bi-weekly basis to fund the housestaff stipends. Transfers to fund housestaff stipends were up approximately \$3.5 million in fiscal year 2020. The increase was due to a stipend rate increase coupled with a UF housestaff fringe pool rate increase. The College of Medicine also invested approximately \$6.4 million, from FCPA funds, in education and research. This investment decreased \$3.2 million compared to the prior fiscal year.

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Management's Discussion and Analysis - Continued*

**Table 7 - Operational Key Indicators**

	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
WRVUs	4,585,948	4,623,080	(37,132)	-0.80%
Patient visits	1,031,667	1,053,219	(21,552)	-2.05%

Total WRVUs decreased .8% from the prior year. Patient visits decreased 2%. These decreases are attributed to the impact we experienced because of the pandemic. For the eight-month fiscal year-to-date period at February 29, 2020, prior to the Governor's executive orders, the FCPA was up 5.2% in patient visits when compared to the same eight-month period last fiscal year. The loss in patient visits were primarily in March through May 2020.

**Table 8 - Condensed Statements of Cash Flows**

	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>CASH PROVIDED BY (USED IN):</b>				
Operating activities	\$ 507,639,061	\$ 505,340,062	\$ 2,298,999	0.45%
Noncapital financing activities	(509,250,051)	(499,044,662)	(10,205,389)	2.04%
Capital and related financing activities	(20,589,417)	16,495,135	(37,084,552)	-224.82%
Investing activities	24,004,824	(21,008,920)	45,013,744	214.26%
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,804,417	1,781,615	22,802	1.28%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	75,298,501	73,516,886	1,781,615	2.42%
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 77,102,918</u>	<u>\$ 75,298,501</u>	<u>\$ 1,804,417</u>	<u>2.40%</u>

Total cash and cash equivalents increased by \$1.8 million in the current year.

*Funds From Operating Activities:* Cash provided by operating activities of \$507.6 million was \$2.3 million or .5% more than cash provided by operating activities in the prior fiscal year. The major source of operating funds was receipts from and on behalf of patients of \$606.6 million, an increase of \$13.2 million or 2.2% from the prior year. The largest category of payments from operating funds was payments to contractors of \$164 million, which increased \$14.2 million or 9.5% from the prior year.

*Funds From Noncapital Financing Activities:* Cash used in noncapital financing activities of \$509.3 million was \$10.2 million or 2% more than cash used in the prior fiscal year. Cash used by noncapital financing activities are primarily funds transferred to the University.

*Funds From Investing Activities:* Cash provided by investing activities in the current fiscal year was \$24 million. In the prior year, cash used in investing activities was \$21 million. The increase of cash used of \$45 million from the prior year is primarily due to the use of funds from an escrow account to complete the construction of the ophthalmology and otolaryngology clinic.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Management's Discussion and Analysis - Continued*

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*Funds From Capital and Related Financing Activities:* Cash used in capital and related financing activities was \$20.5 million for fiscal 2020 compared to \$16.5 million provided by financing activities for fiscal 2019. The largest use of funds for capital and related financing activities was for the purchase of property and equipment of \$15.6 million. The \$37 million comparative decrease is due to last year's debt cash proceeds of \$36.6 million for completion of Springhill II and the ophthalmology and otolaryngology clinic. There were zero debt proceeds in the current year.

### ECONOMIC FACTORS

The College of Medicine received approximately 7% of its funding from an appropriation from the State of Florida in the current fiscal year that is allocated to the College of Medicine by the University. The appropriation is for one year only. The amount that will be appropriated from year to year may, and has, varied depending upon economic and political conditions. The increase (decrease) in state funding directly results in a decrease (increase) in the use of FCPA funds.

In fiscal year 2018 the College of Medicine began participating in the Low Income Pool (LIP) program that is a federal matching program that provides federal funds to Florida health care providers to cover costs for the state's most vulnerable patients. Medical school physician practices are eligible under this program. The College of Medicine recognized \$14,536,637 and \$14,339,708 in 2020 and 2019 respectively from the Program. The revenue from the Program represents 2.1% of the FCPA's total operating revenue for fiscal year 2020. The program is projected to continue throughout fiscal year 2021.

In fiscal year 2020, the FCPA received 29% of its total operating revenue from Shands in the manner of both support and payment for services rendered. The ability of Shands to continue to fund support and commerce payments to the FCPA directly impacts the financial condition of the College of Medicine.

A significant portion of the FCPA's revenue is derived from reimbursement for patient services, by third party payers such as Medicare, Medicaid, and private insurance carriers. Therefore, the reimbursement rates contracted with these payers have a significant effect on the financial health of the College of Medicine.

### CONTACTING THE FCPA'S FINANCIAL MANAGEMENT

This financial report is designed to provide the FCPA's Board of Directors, its creditors, and the Board of Trustees of the University of Florida with a general overview of the FCPA's financial position. If you have questions about this report or need additional information, contact the College of Medicine Dean's Office at (352) 265-8017.

## **Financial Statements**

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Statements of Net Position*

	<i>June 30,</i>	
	<i>2020</i>	<i>2019</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 77,102,918	\$ 75,298,501
Investments	27,464,827	25,840,740
Patient accounts receivable, net of estimated contractual adjustments and uncollectible accounts of \$96,995,272 in 2020 and \$96,620,869 in 2019	45,301,356	39,771,642
Interest receivable	6,083	151,922
Due from affiliates	8,546,351	10,800,639
Other receivables	17,323,139	8,304,265
Other assets	1,800	4,797
TOTAL CURRENT ASSETS	175,746,474	160,172,506
<b>INVESTMENTS:</b>		
Long-term investments	1,023,510	1,975,750
Investment in UF Health South Central, LLC	6,855,537	6,855,537
TOTAL LONG-TERM INVESTMENTS	7,879,047	8,831,287
<b>CAPITAL ASSETS:</b>		
Property and equipment, net	91,816,035	83,901,748
Facilities entitlements, net	1,254,961	1,657,309
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION	93,070,996	85,559,057
ASSETS LIMITED AS TO USE	-	23,057,968
<b>OTHER ASSETS:</b>		
Deposits	43,129	38,049
TOTAL OTHER ASSETS	43,129	38,049
TOTAL ASSETS	\$ 276,739,646	\$ 277,658,867

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.*****Statements of Net Position - Continued***

	<i>June 30,</i>	
	<i>2020</i>	<i>2019</i>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	<b>\$ 23,281,969</b>	\$ 21,852,557
Current portion of long-term debt and capital lease obligations	<b>3,972,780</b>	2,678,490
Third-party advanced payments	<b>14,589,724</b>	-
Unearned revenue	<b>168,330</b>	1,847,009
<b>CURRENT LIABILITIES</b>	<b>42,012,803</b>	26,378,056
<b>OTHER LIABILITIES:</b>		
Long-term debt and capital lease obligations, less current portion	<b>83,594,102</b>	89,527,336
Estimated fair value of interest rate swaps	<b>6,643,650</b>	1,685,148
<b>TOTAL LIABILITIES</b>	<b>132,250,555</b>	117,590,540
<b>COMMITMENTS AND CONTINGENCIES -</b>		
Notes H and K		
<b>NET POSITION:</b>		
Net investment in capital assets	<b>4,249,153</b>	14,753,890
Restricted Expendable	-	23,057,968
Unrestricted	<b>140,239,938</b>	122,256,469
<b>TOTAL NET POSITION</b>	<b>144,489,091</b>	160,068,327
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 276,739,646</b>	\$ 277,658,867

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

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

	<i>Year Ended June 30,</i>	
	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUE:</b>		
Direct revenue from patient care (net of estimated contractual allowances and discounts)	<b>\$ 474,905,833</b>	\$ 461,325,599
Estimated provision for bad debts	<b>(20,794,004)</b>	(17,329,313)
Net direct revenue from patient care less estimated provision for bad debts	<b>454,111,829</b>	443,996,286
Indirect revenue from patient care	<b>153,960,482</b>	152,359,509
<b>TOTAL NET PATIENT SERVICE REVENUE</b>	<b>608,072,311</b>	596,355,795
Other revenue	<b>98,015,701</b>	95,702,332
<b>TOTAL OPERATING REVENUE</b>	<b>706,088,012</b>	692,058,127
<b>OPERATING EXPENSES:</b>		
Contractual services	<b>164,018,106</b>	149,844,813
Insurance	<b>3,434,435</b>	3,207,955
Depreciation and amortization	<b>5,466,805</b>	5,003,015
Operating supplies	<b>20,185,734</b>	15,568,701
Occupancy expenses	<b>7,869,970</b>	7,510,548
Printing and reproduction	<b>152,203</b>	163,674
Dues and subscriptions	<b>1,233,981</b>	1,498,631
Food and entertainment	<b>105,564</b>	113,746
Repairs and maintenance	<b>4,260,765</b>	4,897,495
Travel	<b>117,221</b>	207,022
Advertising	<b>20,227</b>	20,134
Telephone, freight, and postage	<b>1,669,010</b>	1,718,235
Other	<b>49,367</b>	(8,166)
<b>TOTAL OPERATING EXPENSES</b>	<b>208,583,388</b>	189,745,803
<b>OPERATING INCOME</b>	<b>497,504,624</b>	502,312,324
<b>NONOPERATING REVENUE (EXPENSES):</b>		
Investment income	<b>1,472,864</b>	2,612,156
Interest expense, net	<b>(2,274,686)</b>	(1,769,972)
Gain on forgiveness of debt, net	<b>1,929,500</b>	-
Change in mark-to-market of interest rate swaps	<b>(4,958,502)</b>	(3,432,001)
Loss on disposal of property and equipment	<b>(2,985)</b>	(85,179)
Federal assistance revenue	<b>11,490,094</b>	-
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<b>7,656,285</b>	(2,674,996)
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>	<b>505,160,909</b>	499,637,328

*See accompanying notes to financial statements.*

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

***Statements of Revenue, Expenses and Changes in Net Position - Continued***

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
TRANSFERS:		
Transfers to the University of Florida College of Medicine	<b>(514,388,106)</b>	(489,529,928)
Transfers to others	<b>(6,352,039)</b>	(9,514,734)
TOTAL TRANSFERS	<b>(520,740,145)</b>	(499,044,662)
(DECREASE) INCREASE IN NET POSITION	<b>(15,579,236)</b>	592,666
NET POSITION, BEGINNING OF YEAR	<b>160,068,327</b>	159,475,661
NET POSITION, END OF YEAR	<b>\$ 144,489,091</b>	\$ 160,068,327

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Statements of Cash Flows*

	<i>Year Ended June 30,</i>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from and on behalf of patients	<b>\$ 606,645,272</b>	\$ 593,437,831
Other receipts	<b>101,735,179</b>	96,682,319
Payments to contractors	<b>(164,018,106)</b>	(149,844,813)
Payments to suppliers and others	<b>(36,673,917)</b>	(34,943,441)
Other	<b>(49,367)</b>	8,166
	<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
	<b>507,639,061</b>	505,340,062
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers to the University of Florida College of Medicine	<b>(514,388,106)</b>	(489,529,928)
Transfers to others	<b>(6,352,039)</b>	(9,514,734)
Federal assistance receipts	<b>11,490,094</b>	-
	<b>CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>	
	<b>(509,250,051)</b>	(499,044,662)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	<b>(15,605,287)</b>	(15,919,497)
Proceeds from the issuance of debt	<b>-</b>	36,551,960
Costs associated with the forgiveness of debt	<b>(20,500)</b>	-
Principal payments on capital lease obligations	<b>(116,788)</b>	(99,681)
Principal payments on long-term debt	<b>(2,572,156)</b>	(2,267,675)
Interest paid under capital lease obligations and long-term debt	<b>(2,274,686)</b>	(1,769,972)
	<b>CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
	<b>(20,589,417)</b>	16,495,135
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales, calls and maturities of investments	<b>44,250,280</b>	31,006,863
Interest and dividends received	<b>1,307,654</b>	1,288,321
Purchase of investments	<b>(44,611,078)</b>	(31,526,069)
Reductions in (additions to) assets limited as to use, net	<b>23,057,968</b>	(23,057,968)
Capital distribution from UF Health South Central LLC investment	<b>-</b>	1,371,090
Investment in UF Health South Central, LLC	<b>-</b>	(91,157)

*See accompanying notes to financial statements.*

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Statements of Cash Flows - Continued*

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
CASH PROVIDED BY (USED IN)		
INVESTING ACTIVITIES	<b>24,004,824</b>	(21,008,920)
NET INCREASE IN		
CASH AND CASH EQUIVALENTS	<b>1,804,417</b>	1,781,615
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<b>75,298,501</b>	73,516,886
CASH AND CASH EQUIVALENTS,		
END OF YEAR	<b>\$ 77,102,918</b>	\$ 75,298,501
RECONCILIATION OF OPERATING		
INCOME TO NET CASH PROVIDED		
BY OPERATING ACTIVITIES:		
Operating income	<b>\$ 497,504,624</b>	\$ 502,312,324
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Depreciation and amortization	<b>5,466,805</b>	5,003,015
Increase (decrease) in cash due to changes in:		
Accounts receivable, net	<b>(5,529,714)</b>	(2,917,964)
Due from affiliates	<b>2,254,288</b>	2,172,108
Other receivables	<b>(9,018,874)</b>	(1,106,942)
Other assets	<b>(2,083)</b>	(1,022)
Accounts payable and accrued expenses	<b>4,052,970</b>	(1,953,317)
Third-party advanced payments	<b>14,589,724</b>	-
Unearned revenue	<b>(1,678,679)</b>	1,831,860
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	<b>\$ 507,639,061</b>	\$ 505,340,062
SUPPLEMENTAL DISCLOSURE OF		
NONCASH CAPITAL AND RELATED		
FINANCING ACTIVITIES		
Capital asset additions included in accounts payable	<b>\$ 303,292</b>	\$ 2,926,850

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements*

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

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#### NOTE A--REPORTING ENTITY

The Florida Clinical Practice Association, Inc. (the FCPA) is a not-for-profit corporation formed in 1976 by the physicians at the University of Florida College of Medicine (the College of Medicine) and activated in 1984. The FCPA performs the billing and collection of professional fees associated with the practice of medicine at the College of Medicine. The FCPA was formed primarily for the purpose of enhancing the quality of medical education at the College of Medicine. The FCPA transfers funds to the College of Medicine for use in funding salary supplements and other related costs for the benefit of the faculty of the College of Medicine. The FCPA also transfers funds to the University of Florida (the University) in the furtherance of its above stated purpose. The College of Medicine may, from time-to-time, be contractually obligated to provide for physician incentive compensation. The FCPA may be requested to transfer funds to satisfy the College of Medicine's incentive obligations. The FCPA accounts for such transactions as these transfers are required. The FCPA is an affiliated organization component unit of the University and is, therefore, included by discrete presentation in the financial statements of that reporting entity.

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation:* The FCPA is accounted for as an internal service fund. Internal service funds are used to account for the financing of goods and services by one college or agency to independent agencies and other governments.

The FCPA's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities, as prescribed by the Governmental Accounting Standards Board (GASB). The FCPA reports as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting.

*Basis of Accounting:* The FCPA's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The FCPA follows GASB standards of accounting and financial reporting.

*Cash and Cash Equivalents:* The FCPA considers all highly liquid investments, including cash and interest-bearing deposits with original or remaining maturity dates of less than 90 days when purchased and overnight repurchase agreements, excluding amounts whose use is limited or otherwise restricted, as cash equivalents for purposes of reporting cash flows.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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At June 30, 2019, the FCPA had funds in the University Strategic Fund (the Fund) which is a pooled asset fund managed by the University. The FCPA had classified amounts held in the Fund as cash and cash equivalents due to the University depositing amounts included in the Fund in banks qualified as public depositories under Florida law. All such deposits were insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The FCPA may withdraw amounts they have transferred to the Fund without University approval. Additionally, the FCPA can access up to \$10,000,000 the same day requested and amounts in excess of that within two working days; thus, these amounts were highly liquid and easily accessible. At June 30, 2019, cash and cash equivalents included \$20,000,000 held in the Fund. At June 30, 2020, all funds had been transferred out of the Fund.

*Assets Limited as to Use:* Assets limited as to use consists of proceeds from bond indentures restricted for the purpose of acquiring, constructing and equipping of healthcare facilities. Assets consist of cash and cash equivalents and thus approximate fair value.

*Investments:* Investments, excluding equity method investments, are stated at fair value based on market prices. The portion of investments related to financial instruments without maturities or with remaining maturities of less than one year is classified as current assets. Investment income is reported, net of investment expenses, as nonoperating revenue. The cost of securities sold is determined by the specific identification method, with net realized gains and losses being reported in nonoperating revenue as a component of investment income.

Any changes in fair value are recognized in the statements of revenue, expenses and changes in net position as a component of investment income.

*Derivative Instruments:* The FCPA records all derivatives as assets or liabilities on the statements of net position at estimated fair value which includes credit value adjustments. The FCPA's derivative holdings consist of interest rate swap agreements. Since these derivatives have not been determined to be effective hedges, the gain or loss resulting from changes in the fair value of the derivatives is recognized in the accompanying statements of revenue, expenses and changes in net position. The FCPA's objectives in using derivatives are to manage exposure to interest rate risks associated with various debt instruments (see Note I).

*Net Patient Service Revenue and Receivables:* Patient service revenue is recognized as revenue in the period when the services are performed and is reported on the accrual basis at the estimated net realizable amounts from patients, third-party payers and others. A significant portion of the services provided by the FCPA is to patients whose bills are reimbursed by third-party payers such as Medicare, Medicaid and private insurance carriers. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payer programs under payment formulas in effect. Net patient service revenue also includes an estimated provision for bad debts based upon management's evaluation of collectability of patient receivables considering the age of the receivables and other criteria, such as payer classifications.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an allowance for contractual adjustments. Individual accounts are charged-off against the estimated allowance for uncollectible accounts when management determines that it is unlikely that the account will be collected. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid and other third-party payment programs. The FCPA's policy does not require collateral or other security for patient accounts receivable and the FCPA routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

*Capital Assets:* The FCPA's capital assets are reported at historical cost. Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated utilizing the straight-line method over the following estimated service lives which consist of 2-40 years for building and leasehold improvements; 3-7 years for furniture, equipment and computer hardware; and 3-10 years for computer software. Facilities entitlements are being amortized utilizing the straight-line method over the estimated useful lives of the related facilities of 25 years (see Note E). Maintenance and repair costs are expensed as incurred. The FCPA periodically reviews capital assets for indications of potential impairment. If this review indicates that the carrying amount of these assets may not be recoverable, the FCPA estimates the future cash flows expected to result from the operations of the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, a write-down to estimated fair value is recorded.

*Net Position:* Net position of the FCPA is classified in components. *Net investment in capital assets* consists of property and equipment net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable* net position consists of assets that must be used for a particular purpose that are externally imposed by creditors. *Unrestricted* is the remaining net position that does not meet the definition of net investment in capital assets or restricted expendable. The FCPA had no restricted net position at June 30, 2020.

*Operating Revenue and Expenses:* The FCPA's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare and education services - the FCPA's principal activity. Other sources of revenue, including investment earnings and federal assistance, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare and education services, other than financing costs and nonoperating losses.

*Income Taxes:* The FCPA is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements. There were no uncertain tax positions. Tax returns for the years ended June 30, 2017 through 2020 are subject to examination by taxing authorities.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### Notes to Financial Statements - Continued

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

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates associated with contractual allowances, allowances for uncollectible accounts, amounts to be received under the Medicaid Enhanced Payment Program and interest rate swaps are particularly susceptible to material change in the near term. Future results could differ from the current estimates.

*Recently Issued/Adopted Accounting Pronouncements:* In June 2017, the GASB issued Statement No. 87, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases with a maximum possible term exceeding 12 months. The lease liability is measured at the present value of payments made during the lease term. In later periods, the lessee should amortize the discount of the lease liability and report it as an outflow of resources (interest expense) for the period. The lease asset is measured as the sum of the amount of the initial measurement of the lease liability, lease payments made to the lessor at/before the beginning of the lease term, and any initial direct costs. A lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset and reported as an amortization expense. The Statement requires a disclosure of the general description of the leasing arrangements within the footnotes to the financial statements. For leases that have been significantly affected by the existence of related parties, the Statement indicates that accounting should be modified as necessary, and the nature and extent of these transactions should be disclosed. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021; early adoption is permitted. Management is currently evaluating the impact of the adoption of the Statement on the financial statements.

#### NOTE C--INVESTMENTS

The FCPA had the following investments as of June 30, 2020 and 2019:

<i>Investments</i>	<i>Maturities</i>	<i>Call Options</i>	<i>Fair Value</i>	
			<i>2020</i>	<i>2019</i>
Federal National Mortgage Association	08/12/2019	Non Call	\$ -	\$ 1,006,560
HSBC USA Inc.	04/17/2024	Non Call	1,023,510	981,510
U.S. Treasury Bonds	08/15/2019	Non Call	-	2,014,380
U.S. Treasury Bill	11/07/2019	Non Call	-	5,260,833
U.S. Treasury Bill	09/26/2019	Non Call	-	2,557,124
U.S. Treasury Note	12/31/2019	Non Call	-	3,483,060
Vanguard S-T Corp Fund	N/A	N/A	4,175,598	3,978,522
Vanguard Dividend Growth Fund	N/A	N/A	7,611,199	7,518,062
Federal Farm Credit Bank	12/01/2020	09/01/16 & anytime thereafter	-	994,240
TD Wealth Sweep Program	N/A	N/A	15,678,030	22,199
	Total		<u>\$ 28,488,337</u>	<u>\$ 27,816,490</u>

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Notes to Financial Statements - Continued*

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

*Interest Rate Risk:* The FCPA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. Investments of the FCPA and their future maturities as of June 30, 2020 are as follows:

<i>Types of Investments</i>	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>			
		<i>Less than 1</i>	<i>1-5</i>	<i>6-10</i>	<i>More than 10</i>
Commercial Bonds and Notes	\$ 1,023,510	\$ -	\$ 1,023,510	\$ -	\$ -
TD Wealth Sweep Program	15,678,030	15,678,030	-	-	-
Stock Mutual Fund	7,611,199	7,611,199	-	-	-
Bond Mutual Fund	4,175,598	4,175,598	-	-	-
<b>TOTAL</b>	<b>\$ 28,488,337</b>	<b>\$ 27,464,827</b>	<b>\$ 1,023,510</b>	<b>\$ -</b>	<b>\$ -</b>

*Credit Risk:* The FCPA's investment policy limits investments in commercial paper to prime rated corporations with at least \$250,000,000 in equity capital. The FCPA has no investment policy that would further limit its investment choices. As of June 30, 2020, the FCPA had investments with quality ratings by nationally recognized rating agencies (i.e., Moody's Investor Service and Standard and Poor's Rating Agency) as follows:

<i>Types of Investments</i>	<i>Fair Value</i>	<i>Less than A/Ba or Not Rated</i>			
		<i>AAA/Aaa</i>	<i>AA/Aa</i>	<i>A/A2 A3</i>	<i>Rated</i>
Commercial Bonds and Notes	\$ 1,023,510	\$ -	\$ -	\$ 1,023,510	\$ -
Bond Mutual Fund	4,175,598	-	-	4,175,598	-
<b>TOTAL</b>	<b>\$ 5,199,108</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,199,108</b>	<b>\$ -</b>

*Custodial Credit Risk:* The majority of the FCPA's investments are uninsured and unregistered securities held by the counterparty or by its trust department or agent but not in the FCPA's name.

*Concentration of Credit Risk:* The FCPA's investment policy limits investments in commercial paper to no more than \$2,000,000 in any individual corporation. The FCPA has no investment policy that would further limit its investment choices. The FCPA's investments were concentrated with various issuers as of June 30, 2020 as follows:

<i>Issuer</i>	<i>Fair Value</i>	<i>% Total</i>
HSBC USA Inc.	\$ 1,023,510	3.6%
Vanguard Dividend Growth Fund	7,611,199	26.7%
Vanguard S-T Corp Fund	4,175,598	14.7%
TD Wealth Sweep Program	15,678,030	55.0%
<b>TOTAL</b>	<b>\$ 28,488,337</b>	<b>100.0%</b>

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### Notes to Financial Statements - Continued

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

The changes in fair value of investments for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Fair value at end of year	\$ 28,488,337	\$ 27,816,490
Add: Proceeds of called/matured investments	44,250,280	31,006,863
Less: Cost of investments purchased	(44,611,078)	(31,526,069)
Add: Amortization of discount/premium	(24,745)	31,088
Less: Reinvested dividends	(483,592)	(569,167)
Less: Fair value at beginning of year	(27,816,490)	(26,026,319)
Change in fair value of investments	<u>\$ (197,288)</u>	<u>\$ 732,886</u>

At June 30, 2020, the FCPA had no deposits in sweep accounts with financial institutions. The FCPA had \$9,232,184 at June 30, 2019, on deposit in sweep accounts with financial institutions. These deposits were uninsured and collateralized with securities held by the pledging financial institutions. The FCPA does not have a deposit policy.

*Investment in UF Health South Central, LLC:* During fiscal year 2017, the FCPA and UF Health Shands Hospital (Shands) entered an operating agreement for equal ownership and control of the UF Health South Central, LLC (the LLC). The LLC is considered a joint venture of the FCPA and Shands, and the investment is accounted for under the equity method. The following is the condensed, unaudited financial information related to the LLC as of and for the period ended June 30, 2020.

Assets	<u>\$ 14,153,737</u>
Liabilities	<u>\$ 442,662</u>
Net position	<u>\$ 13,711,075</u>
Net gain	<u>\$ -</u>

#### NOTE D--NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

Net patient service revenue is derived principally from professional fees generated by the faculty of the College of Medicine from treating patients. Net patient service revenue is classified into two components. The first component, direct revenue from patient care, is revenue from professional fees charged to individual patients and funded through third party payers and private patient payments based on established reimbursement rates. The second component of net patient service revenue is indirect revenue from patient care professional services performed, which is not funded by healthcare managed care or health maintenance organizations (HMOs). The indirect revenue from patient care is not based on established reimbursement rates from third party payers. Indirect revenue from patient care services is based on negotiated contracts with sponsoring organizations

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### Notes to Financial Statements - Continued

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

to receive professional services at negotiated fees for the sponsoring organization's members. A reconciliation of the net patient service revenue and amounts of services provided to patients at established rates to direct revenue from patient care, as presented in the statements of revenue, expenses and changes in net position is as follows:

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
Gross direct charges from patient care	\$ 1,476,404,919	\$ 1,472,687,701
Less: Contractual adjustments	(1,001,499,086)	(1,011,362,102)
Estimated provision for bad debts	(20,794,004)	(17,329,313)
Total direct revenue from patient care	454,111,829	443,996,286
Indirect revenue from patient care	153,960,482	152,359,509
Total net patient service revenue	\$ 608,072,311	\$ 596,355,795

Patient service revenue, net of contractual allowances by major payer source, is as follows:

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
Third-party payers	\$ 363,708,650	\$ 362,171,794
Patients, including self-insured	49,083,027	50,002,409
Medicaid Enhanced Payment Program	62,114,156	49,151,396
	\$ 474,905,833	\$ 461,325,599

Contractual adjustments for 2020 and 2019 include approximately \$56,500,000 and \$57,000,000, respectively, related to adjustments provided to self-insured patient accounts, offered under a discount program according to the FCPA's self-pay discount policy.

Accounts receivable are reduced by an estimated allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, FCPA analyzes its past history for each of its major payer sources of revenue to estimate the appropriate allowance and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for bad debts.

A summary of the payment arrangements with major third-party payers follows:

*Medicare:* All College of Medicine faculty physicians are participating in the Medicare program. Medicare pays 80% of the allowed charge with the patient being responsible for a 20% co-payment and an annual deductible. A contractual adjustment is recorded for the difference between the physician's charge and the Medicare allowable amount.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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*Medicaid:* Services furnished by the College of Medicine to Medicaid patients are reimbursed under a state fee schedule.

*Medicaid Enhanced Payment Program:* Physicians employed by or under contract with designated Florida medical schools are eligible to receive supplemental reimbursement under the Medicaid Enhanced Payment Program (the Program). Net patient service revenue for the years ended June 30, 2020 and 2019 includes \$62,114,156 and \$49,151,396, respectively, related to the Program. Net patient accounts receivable at June 30, 2020 and 2019 includes \$12,719,273 and \$7,712,839, respectively, in expected future payments under the Program.

The future of the Medicaid Enhanced Payment Program is uncertain. If this program were to be discontinued or further modified, the impact on the FCPA could be significant.

*Low Income Pool (LIP):* During 2018, the FCPA began receiving funding under the LIP program which is a federal matching program that provides federal funds to Florida health care providers to cover costs for the state's most vulnerable patients. Medical school physician practices are eligible under this program. Funding for the LIP program comes from intergovernmental transfers (IGTs) and federal matching funds. IGTs are transfers of funds to the Agency for Health Care Administration from non-Medicaid governmental entities. IGT funds are then used to draw down federal matching funds and payments are made to eligible providers. Providers are encouraged to contribute funds to ensure maximum payments from the LIP program. Net patient service revenue for the years ended June 30, 2020 and 2019 includes \$14,536,637 and \$14,339,708, respectively, related to the program. Net patient accounts receivable at June 30, 2020 includes \$1,331,862 in expected future payments under the LIP program.

*Other:* The College of Medicine has also entered into payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations (PPOs). The bases for payment to the College of Medicine, which are deposited into the FCPA's accounts under these agreements, vary. Many of the PPO arrangements are based on the third-party's fee schedule and certain of the HMOs are based on capitated arrangements.

Amounts earned under contractual arrangements with the Medicare and Medicaid programs are subject to review and final determination by administrative contractors, fiscal intermediaries and other appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made for any adjustments which may result from such reviews. Activity with respect to these reviews has increased and is expected to continue to increase in the future. No additional reserves have been established with regard to possible increased reviews in the future as management is not able to estimate such amounts. In addition, participation in these programs subjects the FCPA to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### Notes to Financial Statements - Continued

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

The FCPA's net patient accounts receivable consists primarily of amounts funded through third-party payer and private payments. Net patient accounts receivable are summarized as follows:

	<i>As of June 30,</i>	
	<i>2020</i>	<i>2019</i>
Patient accounts receivable based on established charges	\$ 142,296,628	\$ 136,392,511
Estimated contractual adjustments	(92,380,434)	(91,803,744)
Estimated allowance for uncollectible accounts	(4,614,838)	(4,817,125)
Patient accounts receivable, net	<u>\$ 45,301,356</u>	<u>\$ 39,771,642</u>

Net patient accounts receivable by major financial classification is as follows:

	<i>As of June 30,</i>	
	<i>2020</i>	<i>2019</i>
Insurance carriers under commercial and managed care plans	\$ 19,680,418	\$ 19,350,510
Medicare	6,447,073	6,322,357
Medicaid	3,226,618	4,258,089
Patients, including self-insured	393,368	436,157
Other	1,502,744	1,691,690
Medicaid Enhanced Payment Program and Low Income Pool Program	14,051,135	7,712,839
	<u>\$ 45,301,356</u>	<u>\$ 39,771,642</u>

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

	<i>2020</i>	<i>2019</i>
Beginning balance	\$ 4,817,125	\$ 5,204,667
Provision	20,794,004	17,329,313
Charge-offs	(20,996,291)	(17,716,855)
Ending balance	<u>\$ 4,614,838</u>	<u>\$ 4,817,125</u>

FCPA's estimated allowance for uncollectible accounts remained consistent from the year ended June 30, 2019 to the year ended June 30, 2020. There were no significant changes in the methodology used to estimate the allowance for uncollectible accounts related to patient accounts receivable for the year ended June 30, 2020.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### Notes to Financial Statements - Continued

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

The FCPA provided uncompensated care with gross charges of approximately \$106,250,000 and \$104,958,000 in 2020 and 2019, respectively. Included in the uncompensated care amounts are approximately \$22,614,000 and \$23,011,000 in charges foregone identified as charity care, in accordance with the FCPA's charity care policy, in 2020 and 2019, respectively. The estimated direct and indirect cost of providing these services totaled approximately \$6,676,000 and \$6,722,000 in 2020 and 2019, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated under a reasonable and systematic approach.

#### NOTE E--CAPITAL ASSETS

A summary of property and equipment and schedule of activity is as follows:

	<i>Balance at</i> <i>June 30, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at</i> <i>June 30, 2020</i>
Capital assets:					
Building	\$ 70,248,122	\$ -	\$ -	\$ 798	\$ 70,248,920
Land	1,648,523	-	-	-	1,648,523
Leasehold improvements	4,044,343	-	-	18,645,810	22,690,153
Furniture, equipment and computers	23,064,484	2,290,275	258,583	5,256,237	30,352,413
Intangible asset	750,000	-	-	-	750,000
Total capital assets	99,755,472	2,290,275	258,583	23,902,845	125,690,009
Accumulated depreciation and amortization:					
Building	7,505,153	1,881,599	-	-	9,386,752
Leasehold improvements	2,917,824	639,019	-	-	3,556,843
Furniture, equipment and computers	18,043,000	2,543,839	255,598	-	20,331,241
Intangible asset	750,000	-	-	-	750,000
Total accumulated depreciation and amortization	29,215,977	5,064,457	255,598	-	34,024,836
	70,539,495	(2,774,182)	2,985	23,902,845	91,665,173
Capital assets in progress	13,362,253	10,691,454	-	(23,902,845)	150,862
Total capital assets, net	\$ 83,901,748	\$ 7,917,272	\$ 2,985	\$ -	\$ 91,816,035

  

	<i>Balance at</i> <i>June 30, 2018</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at</i> <i>June 30, 2019</i>
Capital assets:					
Building	\$ 36,670,434	\$ -	\$ -	\$ 33,577,688	\$ 70,248,122
Land	1,648,523	-	-	-	1,648,523
Leasehold improvements	3,985,023	62,519	3,199	-	4,044,343
Furniture, equipment and computers	21,900,897	758,166	320,066	725,487	23,064,484
Intangible asset	750,000	-	-	-	750,000
Total capital assets	64,954,877	820,685	323,265	34,303,175	99,755,472

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Notes to Financial Statements - Continued*

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

	<i>Balance at June 30, 2018</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2019</i>
Accumulated depreciation and amortization:					
Building	5,683,982	1,821,171	-	-	7,505,153
Leasehold improvements	2,711,626	209,397	3,199	-	2,917,824
Furniture, equipment and computers	15,895,287	2,382,600	234,887	-	18,043,000
Intangible asset	562,500	187,500	-	-	750,000
Total accumulated depreciation and amortization	24,853,395	4,600,668	238,086	-	29,215,977
Capital assets in progress	40,101,482	(3,779,983)	85,179	34,303,175	70,539,495
Total capital assets, net	30,455,072	17,210,356	-	(34,303,175)	13,362,253
	<b>\$ 70,556,554</b>	<b>\$ 13,430,373</b>	<b>\$ 85,179</b>	<b>\$ -</b>	<b>\$ 83,901,748</b>

During 2017, the FCPA entered an agreement with a physician associated with the purchase of the physician's practice. The agreement indicates that within a specified distance of the practice location purchased, the physician shall not engage in a medical practice that is in any manner in competition with the FCPA. The agreement covers a 24-month period and, as such, is being reported as an intangible asset with a finite life. The intangible asset was amortized over the 24-month period of the agreement.

Capital assets in progress as of June 30, 2020 relates to equipment and other projects. As of June 30, 2020, estimated additional costs to complete these projects is approximately \$3,000,000.

During the years 1991 through 1999, the FCPA contributed a total of \$33,494,258 toward the cost of buildings on the campus of the University. Because the faculty associated with the practice of medicine from which the FCPA receives professional fees is entitled to utilize these facilities in their endeavors, such costs were capitalized. Amortization expense relating to these facilities entitlements was approximately \$402,000 for each of the years ended June 30, 2020 and 2019.

**NOTE F--LONG-TERM DEBT**

Activity in long-term debt for the years ended June 30, 2020 and 2019 are as follows:

	<i>Balance at June 30, 2019</i>	<i>Issuances</i>	<i>Retirements</i>	<i>Balance at June 30, 2020</i>	<i>Amounts Due Within One Year</i>
Direct borrowings:					
2013 Notes Payable	\$ 8,000,000	\$ -	\$ (2,230,093)	\$ 5,769,907	\$ 336,111
Health Facilities Revenue Bonds, Series 2012	21,836,735	-	(1,306,122)	20,530,613	1,306,123
Health Facilities Revenue Bond, Series 2017	32,038,447	-	(985,941)	31,052,506	1,010,949

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2020 and 2019*

	<i>Balance at June 30, 2019</i>	<i>Issuances</i>	<i>Retirements</i>	<i>Balance at June 30, 2020</i>	<i>Amounts Due Within One Year</i>
Health Facilities Revenue Bond, Series 2019	30,000,000	-	-	30,000,000	1,195,000
Total Long-Term Debt	\$ 91,875,182	\$ -	\$ (4,522,156)	\$ 87,353,026	\$ 3,848,183

  

	<i>Balance at June 30, 2018</i>	<i>Issuances</i>	<i>Retirements</i>	<i>Balance at June 30, 2019</i>	<i>Amounts Due Within One Year</i>
Direct borrowings:					
2013 Notes Payable	\$ 8,000,000	\$ -	\$ -	\$ 8,000,000	\$ 280,093
Health Facilities Revenue Bonds, Series 2012	23,142,857	-	(1,306,122)	21,836,735	1,306,122
Health Facilities Revenue Bond, Series 2017	26,448,040	6,551,960	(961,553)	32,038,447	985,941
Health Facilities Revenue Bond, Series 2019		30,000,000	-	30,000,000	-
Total Long-Term Debt	\$ 57,590,897	\$ 36,551,960	\$ (2,267,675)	\$ 91,875,182	\$ 2,572,156

During 2013, the FCPA entered into two note agreements with an aggregate total of \$8,000,000 (2013 Notes Payable) for the purpose of reimbursing Shands related to the construction of a clinic location. The two promissory notes are referenced as A Loan and B Loan. The A Loan, in the original amount of \$6,050,000, matures in August 2022 and bears interest at a monthly variable rate. The variable rate, which is calculated as 110 basis points above the one month London Interbank Offered Rate (LIBOR), was 1.27% and 3.54% at June 30, 2020 and 2019, respectively. Monthly interest only payments began in September 2012 and ran until August 2019 when monthly principal and interest payments based on an 18-year amortization begin and are required through maturity at which time all outstanding principal and interest is due. The B Loan, in the original amount of \$1,950,000, matures in August 2052 and bears interest at the fixed rate of 2.25% until August 2019 when the rate resets to a rate necessary to achieve a constant yield to maturity. Monthly payments of interest began in September 2012 and were required until August 2019 at which time no additional monthly payments are required. All remaining outstanding principal and interest is due at maturity. During 2020, \$1,950,000, which represented the remaining balance of Note B, was forgiven as part of a tax credit program.

During 2013, the Alachua County Health Facilities Authority (the Authority) issued \$32,000,000 of tax-exempt Health Facilities Revenue Bonds, Series 2012 (the Series 2012 Bonds) and loaned the proceeds to the FCPA to finance a clinic location. Based on a Financing Agreement dated August 1, 2012 between the Authority, the FCPA and TD Bank, N.A. (the Bondholder), the FCPA is responsible for the repayment of the proceeds from the Series 2012 Bonds and is required to make debt payments directly to the Bondholder. The redemption of the Series 2012 Bonds is provided for by monthly principal payments of \$108,844 which began in April 2013 and ends March 2036. The Series 2012 Bonds require monthly interest payments based on a variable rate which is calculated as 75% of the Adjusted one-month LIBOR Rate plus 110 basis points. The variable rate was 0.95% and 2.66% at June 30, 2020 and 2019, respectively.

## **FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

### *Notes to Financial Statements - Continued*

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

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During 2017, the Authority issued a tax-exempt Health Facility Revenue Bond (the Series 2017 Bond) not to exceed \$33,000,000 and is loaning the proceeds in multiple advances to the FCPA for acquisition, construction, and equipping of healthcare facilities. Based on a Financing Agreement dated May 1, 2017 between the Authority, the FCPA and TD Bank, N.A. (the Bondholder), the FCPA is responsible for the repayment of the proceeds from the Series 2017 Bond and is required to make debt payments directly to the Bondholder. The FCPA obtains proceeds of the Series 2017 Bond upon completion of an advance request. As of June 30, 2019, all of the proceeds had been advanced to the FCPA. The Series 2017 Bond requires a monthly interest payment based on a variable rate of 69.75% of the Adjusted one-month LIBOR Rate plus 89 basis points. The variable rate was 0.90% and 2.82% at June 30, 2020 and 2019, respectively. The Series 2017 Bond matures in May 2043, with annual principal payments beginning May 1, 2019.

During 2019, the Authority issued a \$30,000,000 tax-exempt Health Facilities Revenue Bond, Series 2019 (the Series 2019 Bond) and loaned the proceeds to the FCPA for the acquisition, construction, and equipping of healthcare facilities. Based on a Financing Agreement dated March 27, 2019 between the Authority, the FCPA and TD Bank, N.A. (the Bondholder), the FCPA is responsible for the repayment of the proceeds from the Series 2019 Bond and is required to make debt payments directly to the Bondholder. The Series 2019 Bond requires a monthly interest payment based on a variable rate of 81.5% of the Adjusted one-month LIBOR Rate plus 65.2 basis points. The variable rate was 0.79% and 2.64% at June 30, 2020 and 2019, respectively. The Series 2019 Bond matures in March 2039, with annual principal payments beginning March 1, 2021. The Series 2019 Bond contains a demand purchase option where the Borrower agrees to purchase the entire bond series on March 27, 2029 for an amount equal to 100% of the outstanding principal unless the Bondholder provides the Borrower and Issuer written notice 180 day prior to the optional tender date. A portion of the proceeds of this bond issuance were included in assets limited as to use as of June 30, 2019.

There are numerous restrictive covenants contained in the agreements related to the Series 2019 Bond, the Series 2017 Bond, the 2013 Notes Payable and Series 2012 Bonds. The Series 2019 Bond, Series 2017 Bond, the 2013 Notes Payable and the Series 2012 Bonds have the same restrictive covenants, and all were financed by the Bondholder. Among other things, the FCPA is restricted as to additional borrowings or liens on property, mergers and acquisitions and sale of assets. In addition, FCPA is required to maintain liquid assets (cash, cash equivalents and short-term marketable securities) with a fair value of at least \$10,000,000 and maintain a debt service coverage ratio of 1.25. The FCPA was not in compliance with the debt service coverage ratio restrictive covenant at June 30, 2020. Subsequent to year end, the FCPA was granted a waiver for this covenant default for the year ended June 30, 2020. The FCPA was in compliance with the remaining restrictive covenants at June 30, 2020. The Series 2019 Bond, Series 2017 Bond, the 2013 Notes Payable and the Series 2012 Bonds are secured by Security Agreements between the FCPA and the Bondholder which grant the Bondholder an interest in all assets, properties and rights of debtor of every kind, wherever located, whether now owned or hereafter acquired, with certain exemptions.

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

*Notes to Financial Statements - Continued*

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

In fiscal year 2012, the FCPA entered into a ground lease with Shands related to the real property on which the clinic, financed by the Series 2012 Bonds, is located. In fiscal year 2017, the ground lease was amended to add additional land for the new clinic financed by the Series 2017 Bonds. Future lease payments related to this agreement are included in the amounts documented in Note H.

The estimated future debt service requirements, based upon the interest rates in effect at June 2020, are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 3,848,183	\$ 785,322	\$ 4,633,505
2022	3,908,826	749,375	4,658,201
2023	8,733,692	660,077	9,393,769
2024	3,700,966	617,021	4,317,987
2025	3,768,610	583,210	4,351,820
2026 - 2030	19,906,872	2,397,528	22,304,400
2031 - 2035	21,883,040	1,473,848	23,356,888
2036 - 2040	16,469,664	580,014	17,049,678
2041 - 2045	5,133,173	86,057	5,219,230
	<u>\$ 87,353,026</u>	<u>\$ 7,932,452</u>	<u>\$ 95,285,478</u>

**NOTE G--CAPITAL LEASE OBLIGATIONS**

A schedule of changes in the FCPA's capital lease obligations is as follows:

	<i>Balance at June 30, 2019</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2020</i>	<i>Amount Due Within One Year</i>
Capital lease obligations	\$ 330,644	\$ -	\$ 116,788	\$ 213,856	\$ 124,597

  

	<i>Balance at June 30, 2018</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2019</i>	<i>Amount Due Within One Year</i>
Capital lease obligations	\$ 430,325	\$ -	\$ 99,681	\$ 330,644	\$ 106,334

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### Notes to Financial Statements - Continued

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

The FCPA leases equipment under capital lease agreements which expire at various dates. Future minimum lease payments under capital leases are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 147,829
2022	94,073
Total minimum lease payments	241,902
Less amount representing interest (rates range from 14.55% to 16.81%)	(28,046)
Present value of net future minimum lease payments	213,856
Less current portion	(124,597)
Present value of future minimum lease payments - long-term	<u>\$ 89,259</u>

#### NOTE H--OPERATING LEASES

The FCPA leases equipment, office space and land under operating lease agreements. Future minimum rental payments required under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 6,285,539
2022	5,895,899
2023	4,213,864
2024	4,195,835
2025	3,941,133
2026-2030	14,314,321
2031-2035	10,105,040
2036-2040	8,997,879
2041-2045	3,212,746
2046-2050	3,547,131
2051-2055	1,520,158
Total minimum payments required	<u>\$ 66,229,544</u>

The FCPA recognized approximately \$5,609,000 and \$5,463,000 in lease expense for the years ended June 30, 2020 and 2019, respectively.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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#### NOTE I--DERIVATIVE FINANCIAL INSTRUMENTS

With the issuance of the Series 2019 Bond, the Series 2017 Bond, the Series 2012 Bonds and the 2013 Notes Payable discussed in Note F, the FCPA entered into interest rate swap agreements. In an effort to manage exposure to interest rate risks associated with variable rate debt instruments, the FCPA became a party to four distinct interest rate swap agreements with TD Bank, N.A.

With respect to the Series 2012 Bonds, the FCPA executed a swap where the FCPA receives a variable rate equal to 75% of the one-month LIBOR-BBA rate plus 82.5 basis points and pays a fixed rate of 2.125% on the notional amount of \$20,530,613 and \$21,836,735 at June 30, 2020 and 2019, respectively. Unless terminated at an earlier date, this agreement terminates on August 31, 2022.

With respect to the 2013 Notes Payable - A Loan, the FCPA executed a swap agreement whereby the FCPA receives a variable rate equal to the one-month LIBOR-BBA rate plus 110 basis points and pays a fixed rate equal to 2.98% on the notional amount of \$5,769,907 and \$6,050,000 at June 30, 2020 and 2019. Unless terminated at an earlier date, this agreement terminates on August 1, 2022.

With respect to the Series 2017 Bond, the FCPA executed a swap agreement where the FCPA receives a variable rate equal to 69.75% of the one-month LIBOR-BBA rate, plus 62.0775 basis points, and pays a fixed rate of 2.175% on the notional amount of \$31,052,506 and \$32,038,447 at June 30, 2020 and 2019, respectively. This agreement terminates May 1, 2027 unless terminated at an earlier date.

With respect to the Series 2019 Bond, the FCPA executed a swap agreement where the FCPA receives a variable rate equal to 81.5% of the one-month LIBOR-BBA rate, plus 65.2 basis points, and pays a fixed rate of 2.51% on the notional amount of \$30,000,000 at June 30, 2020 and 2019. This agreement terminates March 27, 2029 unless terminated at an earlier date.

Although these swap instruments are intended to manage exposure to interest rate risks associated with the debt instruments referred to above, none of these swap agreements have been determined to be an effective hedge. Accordingly, the interest rate swaps are reflected in the accompanying statements of net position at their aggregate fair value (a liability of \$6,643,650 and \$1,685,148 at June 30, 2020 and 2019, respectively) and the changes in the value of the swaps are reflected as a component of nonoperating expense in the statements of revenue, expenses and changes in net position for the years ended June 30, 2020 and 2019.

Management has considered the effects of any credit value adjustment, and while management believes the estimated fair value of the interest rate swap agreements is reasonable, the estimate is subject to change in the near term.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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#### NOTE J--RELATED-PARTY TRANSACTIONS

Shands and the University, for the benefit of the College of Medicine, entered into an Academic and Quality Support Agreement (AQSA) effective July 1, 2004. The AQSA was amended and restated effective July 1, 2011 through the termination date of June 30, 2014. An Academic Support Agreement (ASA) replaced the AQSA agreement effective July 1, 2014 through June 30, 2015, and at termination, it was replaced with an ASA agreement effective July 1, 2015 through June 30, 2016. Shands and the University entered into a new ASA agreement effective July 1, 2016 with a termination date of June 30, 2021.

The purpose of the ASA is to clarify and expand the support provided to the College of Medicine from Shands. The funds provided to the College of Medicine are to be used to support the missions of teaching, indigent care, research and community service. Shands provided support funding in the amounts of approximately \$94,645,000 and \$91,540,000, for the years ended June 30, 2020 and 2019, respectively, to the FCPA which collects the funds on behalf of the College of Medicine. These amounts are recognized in other operating revenue.

During fiscal years 2020 and 2019, the FCPA received approximately \$110,297,000 and \$97,288,000, respectively, from Shands relating to the reimbursement of expenses and contractual services provided by the College of Medicine on behalf of Shands. The FCPA records certain reimbursements from Shands for contractual services as revenue. Until these amounts are transferred to the University of Florida, they are reported as unearned revenue. There was no unearned revenue from Shands as of June 30, 2020 and \$462,825 as of June 30, 2019.

Also, during fiscal years 2020 and 2019, the FCPA incurred approximately \$144,785,000 and \$130,192,000, respectively, per year in contractual services expense under various contracts with Shands. Accounts payable and accrued expenses as of June 30, 2020 and 2019, includes a payable to Shands for certain benefit expenses relating to Shands employees associated with these contractual services.

Other amounts included in due from affiliates at June 30, 2020 and 2019 are due primarily from Shands for numerous different departmental professional services and support furnished under agreements with Shands.

#### NOTE K--COMMITMENTS AND CONTINGENCIES

*Professional Liability:* The University of Florida Board of Trustees, acting as the College of Medicine, obtains general and professional liability protection from the University of Florida J. Hillis Miller Health Science Center Self-Insurance Program (Self-Insurance Program). The Self-Insurance Program was established by the Florida Board of Governors pursuant to Section 1004.24, Florida Statutes.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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The Self-Insurance Program protects the University of Florida Board of Trustees for losses which are subject to Section 768.28, Florida Statutes, including legislative claim bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1,000,000 per claim and up to \$2,000,000 per incident for negotiated settlements.

Pursuant to Board of Governors Regulation 6C-10.001(2), the University of Florida Self-Insurance Program Council has created the University of Florida Healthcare Education Insurance Company (HEIC), a captive insurance company that is wholly owned by the State Board of Governors and domiciled in the State of Vermont. HEIC is managed by a Board of Directors created by the State Board of Governors. HEIC provides coverage for claims that are in excess of the protection afforded by the Self-Insurance Program at limits of \$4,000,000 and \$3,000,000 for negotiated settlements. HEIC provides additional limits of liability coverage of \$100,000,000 per claim and in the aggregate, which is in excess of the coverage described above.

In the event the personal immunity of College of Medicine faculty physicians or other professional employees are not subject to the personal immunity described in Section 768.28, Florida Statutes, for example, on assignment outside the State of Florida, the Self-Insurance Program provides the faculty physicians and other professional employees with personal liability protection, including professional liability, in the amount of \$2,000,000 per claim and with excess coverage of \$103,000,000 underwritten by HEIC.

The FCPA is provided protection by the Self-Insurance Program and HEIC. No amounts have been accrued for incurred but not reported claims as the FCPA is not able to estimate such amounts.

*Healthcare Industry:* The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse and under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Congress adopted comprehensive health care insurance legislation, *Patient Care Protection and Affordable Care Act* and *Health Care and Educational Reconciliation Act*. The legislation, among other matters is designated to expand access to coverage to substantively all citizens through a combination of public program expansion and private industry health insurance. Changes to existing Medicaid coverage and payments have occurred and are expected to continue to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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*Third-Party Advanced Payments:* During 2020, as part of the response to the COVID-19 pandemic and in conjunction with the CARES Act, the Centers for Medicare and Medicaid Services (CMS) implemented the Medicare Accelerated and Advanced Payment Programs which speeds Medicare payments to providers in times of emergency, based on historical payments. Providers can request up to 100% of Medicare payment amounts for a three-month period. The provider will continue to submit claims as usual after the issuance of the accelerated or advance payments. Recoupment will not begin until 120 days after the payments are received. Providers will continue to receive full payments for their claims during the 120-day delay period. At the end of the 120-day period, the recoupment process will begin and payments to the provider will be offset/suspended until the advanced payments have been repaid. The FCPA received \$14,589,724 of advanced payments during the year ended June 30, 2020. No recoupment occurred during the year ended June 30, 2020, as such, all funds received are reflected as a current liability as of June 30, 2020.

#### NOTE L--FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying value of its financial instruments, including cash and cash equivalents, investments, patient accounts and other receivables, accounts payable and accrued expenses, and estimated liability for refunds are at fair value or approximate fair value due to the nature and short-term maturities of these instruments. Management also estimates that the carrying value of its capital lease obligations and long-term debt approximate fair value.

#### NOTE M--FAIR VALUE MEASUREMENT

GASB Statement No. 72 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As such, GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB describes fair value as an exit price where measurement assumes a transaction takes place in an entity's principal market, or most advantageous market in the absence of a principal market, and the market participants are acting in their economic best interests. GASB Statement No. 72 requires an entity to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques should be applied consistently and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

*Valuation Hierarchy:* GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels which are defined as follows:

- *Level 1:* Inputs to the valuation technique are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation technique, other than quoted prices within *Level 1*, that are observable for an asset or liability, either directly or indirectly.

# FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

## Notes to Financial Statements - Continued

### Years Ended June 30, 2020 and 2019

- *Level 3:* Inputs to the valuation technique are unobservable.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The FCPA's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents assets reported at fair value as of June 30, 2020 and 2019, and their respective classification under the GASB Statement No. 72 valuation hierarchy:

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2020:

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
<b>Assets:</b>				
Investments in TD Wealth				
Sweep Program	\$ 15,678,030	\$ -	\$ 15,678,030	\$ -
Investments in Commercial Bonds and Notes	1,023,510	-	1,023,510	-
Investments in Stock Mutual Fund	7,611,199	-	7,611,199	-
Investments in Bond Mutual Fund	4,175,598	-	4,175,598	-
	<u>\$ 28,488,337</u>	<u>\$ -</u>	<u>\$ 28,488,337</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Interest rate swap agreements, net	\$ 6,643,650	\$ -	\$ -	\$ 6,643,650

#### Assets Measured at Fair Value on a Recurring Basis as of June 30, 2019:

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Investments in U.S. Treasury Bonds, Bills and Notes	\$ 13,315,397	\$ 13,315,397	\$ -	\$ -
Investments in Federal Agency Securities and Commercial Bonds and Notes	2,982,310	-	2,982,310	-
Investments in Money Market Fund	22,199	-	22,199	-
Investments in Stock Mutual Fund	7,518,062	-	7,518,062	-
Investments in Bond Mutual Fund	3,978,522	-	3,978,522	-
	<u>\$ 27,816,490</u>	<u>\$ 13,315,397</u>	<u>\$ 14,501,093</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Interest rate swap agreements, net	\$ 1,685,148	\$ -	\$ -	\$ 1,685,148

## FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

### *Notes to Financial Statements - Continued*

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

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A certain portion of the inputs used to value the FCPA's interest rate swap agreements are unobservable inputs. As a result, FCPA has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy.

#### NOTE N--FEDERAL ASSISTANCE REVENUES

During 2020, as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund program, the U.S. Department of Health & Human Services (HHS) made distributions to health care providers who bill Medicare fee-for-service in order to provide financial relief during the coronavirus (COVID-19) pandemic. Providers were required to sign an attestation confirming receipt of the funds and agreeing to the terms and conditions of payment. The terms and conditions of payment require that the funds be used to cover lost revenue attributable to COVID-19 or health-related expenses purchased to prevent, prepare for, and respond to coronavirus. The FCPA attested to receiving and determined it met the terms and conditions of payment during 2020 and, as such, recognized \$11,490,094 in nonoperating revenue for the year ended June 30, 2020. Subsequent to June 30, 2020, HHS provided additional guidance regarding the use of these funds and has indicated that additional information is forthcoming that will provide clarification. In addition, an addendum to the 2020 Office of Management and Budget (OMB) Compliance Supplement that specifically addresses this funding has yet to be issued as of the date of the Independent Auditor's report. As a result, amounts recognized as income related to federal assistance from HHS are subject to change as new and clarifying guidance becomes available.

#### NOTE O--SUBSEQUENT EVENTS

Subsequent to and during the year ended June 30, 2020, due to a world-wide pandemic, there has been and continues to be substantial volatility in financial markets, which resulted in broad declines in equity and other markets. The pandemic has also had significant impacts to the economy. Management continues to monitor this volatility, but the ultimate outcome of the pandemic on the FCPA is unknown.

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2020 financial statements except as noted in Notes F and N.

## **Other Financial Information**

**FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.**

***Statements of Revenue, Expenditures and Changes in Net Position of  
Fund 171 – Transfers from Component Units Fund (HSCFCPA) - Unaudited***

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
REVENUE	\$ -	\$ (3,313)
EXPENDITURES:		
Salaries and benefits	447,783,227	438,755,417
Contractual services	12,931,837	12,476,715
Insurance	13,084	11,977
Electronic data processing charges	5,484,185	4,422,314
Operating supplies	5,773,772	7,649,437
Occupancy expenses	534,667	656,616
Printing and reproduction	474,584	543,806
Dues and subscriptions	1,991,475	2,057,294
Food and entertainment	1,654,432	2,202,269
Repairs and maintenance	1,750,462	1,635,648
Travel	3,218,359	5,030,171
Advertising	344,063	710,774
Telephone, freight and postage	1,577,714	1,631,707
University overhead	11,573,364	9,943,247
Other	5,129,654	3,065,622
Total expenditures	<b>500,234,879</b>	490,793,014
EXPENDITURES IN EXCESS OF REVENUE BEFORE TRANSFERS	<b>(500,234,879)</b>	(490,796,327)
TRANSFERS:		
From Florida Clinical Practice Association, Inc.	<b>514,388,106</b>	489,529,928
Total transfers	<b>514,388,106</b>	489,529,928
EXCESS (DEFICIT) OF REVENUE AND TRANSFERS OVER EXPENDITURES	<b>14,153,227</b>	(1,266,399)
NET DEFICIENCY, BEGINNING OF YEAR	<b>(14,081,258)</b>	(12,814,859)
NET POSITION (DEFICIENCY), END OF YEAR	<b>\$ 71,969</b>	\$ (14,081,258)

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

To the Board of Directors of  
Florida Clinical Practice Association, Inc.:

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 the business-type activities of the Florida Clinical Practice Association, Inc. (the FCPA) (a 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, which collectively comprise the FCPA's basic financial statements, and have issued our report thereon dated September 29, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the FCPA'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 FCPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the FCPA'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given

these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the FCPA'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 FCPA'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 FCPA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PYA, P.C.

Tampa, Florida  
September 29, 2020