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Financial Statements  
(and Other Information)

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***Faculty Clinic, Inc. (A Component Unit of the  
University of Florida)***

*Years Ended June 30, 2020 and 2019*



**FACULTY CLINIC, INC.**

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*Years Ended June 30, 2020 and 2019*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Faculty Clinic, Inc.:

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

We have audited the accompanying financial statements of the business-type activities of Faculty Clinic, Inc. (the Clinic) (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 Clinic's basic financial statements as listed in the table of contents.

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

The Clinic'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 audits 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 Clinic'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 Clinic'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 Faculty Clinic, Inc., as of June 30, 2020 and 2019, and the changes in its financial position and its 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 to 8 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020 on our consideration of the Clinic'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 Clinic's internal control over financial reporting and compliance.

DYA, P.C.

Tampa, Florida  
September 28, 2020

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

## FACULTY CLINIC, INC.

### *Management's Discussion and Analysis*

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This discussion and analysis of the Faculty Clinic, Inc.'s (the Clinic) financial statements is intended to provide an overview of its financial results for the year ended June 30, 2020. This section, along with the financial statements and related footnotes, has been prepared by, and is the responsibility of, management. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

The Clinic was restructured in 1995 to operate primarily as a facilities management company and lease space to University of Florida Jacksonville Physicians, Inc. (UFJP) and Shands Jacksonville Medical Center, Inc. (Shands Jacksonville). The Clinic has no direct employees. All staff are employees of University of Florida Jacksonville Physicians, Inc. and are leased to the Clinic.

#### OVERVIEW

The Clinic's net position increased by \$40,696 for fiscal year 2020 as compared to an increase of \$45,483 in the prior fiscal year. The structure of the Clinic is such that its purpose is to maintain the building and equipment and collect sufficient rent to cover operating expenses and fund the debt service on the bonds outstanding from the Series 1989 bond issue.

Total assets decreased by \$712,011 or 28.3%. Current assets decreased by \$402,318 during the fiscal year, while net capital assets decreased by \$309,693. Total liabilities decreased by \$752,707 or 78.2%. These changes will be explained in detail later in this discussion.

#### FINANCIAL ANALYSIS

The series of financial statements making up this annual report have been prepared in accordance with accounting principles generally accepted in the United States of America. One of the basic tenets followed by the Clinic is the accounting for income and expenses using the accrual basis of accounting wherein income and expenses are recorded when earned and incurred irrespective of the cash transaction. Refer to Note B to the financial statements for a further discussion of accounting and reporting policies.

#### CONDENSED STATEMENTS OF NET POSITION

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 923,872	\$ 486,240	\$ 437,632	90.0%
Assets limited as to use, required for current obligations	-	800,000	(800,000)	-100.0%
Prepaid expenses and other current assets	22,147	17,711	4,436	25.0%
Due from related parties	-	44,386	(44,386)	-100.0%
<b>TOTAL CURRENT ASSETS</b>	<b>946,019</b>	<b>1,348,337</b>	<b>(402,318)</b>	<b>-29.8%</b>

FACULTY CLINIC, INC.

*Management's Discussion and Analysis - Continued*

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
CAPITAL ASSETS, NET	856,484	1,166,177	(309,693)	-26.6%
TOTAL ASSETS	\$ 1,802,503	\$ 2,514,514	\$ (712,011)	-28.3%

Total assets as of June 30, 2020 were \$1,802,503 compared to \$2,514,514 at June 30, 2019. Cash and cash equivalents of \$923,872 as of June 30, 2020 were \$437,632 higher than at June 30, 2019. This was due to the final bond payment being paid on July 1, 2019 using the \$800,000 balance in assets limited as to use from the prior year. The clinic is now able to accumulate cash from the lease payments for future use. Prepaid expenses and other current assets had an increase of \$4,436. The due from related parties balance of \$44,386 from the prior year for a lease payment from Shands Jacksonville is now at \$0 as the hospital is current on their payments. In addition to the decrease in current assets there was also a decrease in net capital assets of \$309,693.

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
CAPITAL ASSETS, NET				
Building	\$ 776,718	\$ 1,102,330	\$ (325,612)	-29.5%
Equipment	56,926	63,847	(6,921)	-10.8%
Construction in progress	22,840	-	22,840	100.0%
CAPITALIZED ASSETS, NET	\$ 856,484	\$ 1,166,177	\$ (309,693)	-26.6%

The Clinic's investment in capital assets, net of depreciation, is \$856,484 at June 30, 2020, a decrease from that at June 30, 2019 of \$309,693 or 26.6%. Additional building components and equipment purchased during the year, before accumulated depreciation and net of current year retirements, were \$118,347. The most significant additions during the year were building modifications of \$58,523, replacement of common area flooring for \$17,315 and new LED exit signs for \$10,845. Construction in progress includes \$22,840 for the replacement of one of the elevators that was underway at year's end. The overall net decrease and particularly the net decrease in the Building category is due to the annual depreciation of these assets, at an amount which is greater than new assets purchased. As of June 30, 2020, the original building construction costs placed in service in 1990 are fully depreciated. Accumulated depreciation on the building and equipment at the end of 2020 was \$13,596,890 or 3.25% greater than last year.

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 74,227	\$ 111,396	\$ (37,169)	-33.4%
Accrued contract labor	21,947	18,432	3,515	19.1%



**FACULTY CLINIC, INC.**

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

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
Due to related parties	113,720	32,773	80,947	247.0%
Current portion of long term debt	-	800,000	(800,000)	-100.0%
<b>TOTAL CURRENT LIABILITIES</b>	<b>209,894</b>	<b>962,601</b>	<b>(752,707)</b>	<b>-78.2%</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 209,894</b>	<b>\$ 962,601</b>	<b>\$ (752,707)</b>	<b>-78.2%</b>

Last year the largest liability of the Clinic was the outstanding bonds payable of \$800,000 remaining from the issuance of \$8,500,000 in Industrial Development Revenue Bonds Series 1989 (the Bonds). However, with the final payment on July 1, 2019 as was previously discussed, there is no longer a liability. See Note E to the financial statements for a detailed discussion of the Bonds, scheduled maturities, and progression of the balance.

Accounts payable and accrued expenses at June 30, 2020 decreased by \$37,169 from June 30, 2019, due to the timing of payments made and reduction of bond related liabilities. Accrued contract labor increased by \$3,515 at June 30, 2020, while amounts due to related parties had an increase of \$80,947 at year end. See Note F to the financial statements. In summary, total liabilities as of June 30, 2020 were \$209,894 a decrease of \$752,707 or 78.2% from prior year end.

**CONDENSED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

	<i>Year Ended June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
<b>REVENUE:</b>				
Rental income	\$ 1,095,736	\$ 1,195,348	\$ (99,612)	-8.3%
State operating and maintenance (O&M) funding	336,222	336,222	-	0.0%
<b>TOTAL REVENUE</b>	<b>1,431,958</b>	<b>1,531,570</b>	<b>(99,612)</b>	<b>-6.5%</b>
<b>EXPENSES:</b>				
Contract labor	325,365	319,274	6,091	1.9%
Fees	95,835	108,868	(13,033)	-12.0%
Depreciation and amortization	428,040	459,059	(31,019)	-6.8%
Other operating expenses	567,843	612,053	(44,210)	-7.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>1,417,083</b>	<b>1,499,254</b>	<b>(82,171)</b>	<b>-5.5%</b>
<b>INCOME FROM OPERATIONS</b>	<b>14,875</b>	<b>32,316</b>	<b>(17,441)</b>	<b>-54.0%</b>
<b>NET NONOPERATING REVENUE</b>	<b>25,821</b>	<b>13,167</b>	<b>12,654</b>	<b>-96.1%</b>
<b>INCREASE IN NET POSITION</b>	<b>\$ 40,696</b>	<b>\$ 45,483</b>	<b>\$ (4,787)</b>	<b>10.5%</b>

*Revenue:* Revenue is generated from lease payments for clinical and office space from UFJP and Shands Jacksonville and also consists of operating and maintenance (O&M) funding granted by the State Legislature for the space occupied by University of Florida (UF) functions. Rental

## FACULTY CLINIC, INC.

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

income of \$1,095,736 decreased by \$99,612 from fiscal year 2019. In June 2020 the Board of Directors of the Clinic approved the abatement of the June lease payments for both UFJP and Shands Jacksonville. State O&M funding remained flat from the prior fiscal year. This funding from the state of Florida flows through the University of Florida.

*Operating Expenses:* Operating expenses totaled \$1,417,083 for fiscal year 2020, down by \$82,171 or 5.5% from the prior year. Contract labor increased by 1.9% or \$6,091 from fiscal year 2019. Fees were lower by \$13,033 or 12.0%. The two main factors in the decrease were the elimination of bond related fees, and a decrease in the costs related to the security monitoring system. Depreciation and amortization, at \$428,040, decreased by \$31,019 or 6.8% from prior year, as the depreciation related to items that became fully amortized over the course of the year was greater than the depreciation on new items that were purchased. The other operating expenses category, which is the largest category of operating expense, at just over 40% of the total, had a fairly large decrease of \$44,210 or 7.2% below prior year. Repairs and maintenance costs declined by a little more than \$33,600. Although down from last year, the amount spent on repairs and maintenance was still approximately \$217,000. While no major repair projects were undertaken during fiscal year 2019, HVAC repairs continue to be the major source of repair expense. Supply expense fell by just over \$1,000 to \$55,776. After seeing an increase in costs in fiscal year 2019, utility expenses decreased by 2.0% or \$5,700. The largest contributor to the decrease was electric expense which was down by \$4,588.

*Nonoperating Items:* The main component of nonoperating items for fiscal years 2019 and 2020 has been adjustments to amounts accrued for bond related expenses. Also included is interest income of \$3,206 in fiscal year 2020 and \$4,174 in 2019. The amount for fiscal year 2019 also included bond interest expense of \$12,749 and other bond related expenses of \$4,251.

### CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 539,749	\$ 417,488	\$ 122,261	29.3%
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(905,323)	(93,072)	(812,251)	872.7%
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	803,206	(795,826)	1,599,032	-200.9%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	437,632	(471,410)	909,042	-192.8%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	486,240	957,650	(471,410)	-49.2%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 923,872	\$ 486,240	\$ 437,632	90.0%

## FACULTY CLINIC, INC.

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

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Overall, there was a \$437,632 increase in the cash balance from fiscal year 2019 to fiscal year 2020, with an ending cash balance of \$923,872.

*Cash Provided By Operating Activities:* Cash provided by operating activities rose from \$417,488 to \$539,749, an increase of \$122,261 or 29.3%. Receipts from rentals decreased by \$99,612 from fiscal year 2019 to \$1,095,736 while receipts of contributions from State O&M funding remained flat at \$336,222. The decrease in the receipts from rentals was due to the abatement of the June lease obligations as was previously mentioned. Payments to suppliers and for operating expenses decreased by 28.0% or \$221,490 in 2020 to \$570,359 while payments related to contract labor had a less than \$1,000 decrease to a total of \$321,850.

*Cash Used In Capital and Related Financing Activities:* The net cash used in capital and financing activities was \$905,323 for fiscal year 2020. This represents the \$800,000 for the bond payment and \$127,938 in capital purchases. In fiscal year 2019 only \$93,072 was used in capital and related financing activities. As the July 1, 2018 bond payment was actually made in fiscal year 2018 there was no debt repayment in fiscal year 2019. Cash used for building improvements and equipment purchases represents an increase of \$25,873 over the \$102,065 used in fiscal year 2019. The detail of capital purchases was previously explained in the Capital Asset section of this discussion.

*Cash Provided By (Used In) Investing Activities:* The net cash provided by investing activities was \$803,206 in fiscal year 2020. This represents the \$800,000 transferred from assets limited as to use which was used to pay the bond payment of July 1, 2019, plus the \$3,206 of interest income for the year. In fiscal year 2019 there was a use of cash for investing activities, as \$800,000 was moved into the assets limited as to use, in preparation for the July 1, 2019 bond payment.

## ECONOMIC OUTLOOK

As a facilities management company, the Clinic will continue to have key challenges in the coming years related to utility costs and increasing repair and maintenance costs on the building and equipment due to aging.

The variable rate bonds issued by the Clinic have now been paid in full. Thus, the need to build cash for debt payments, and concerns about the interest rate on the debt will no longer be factors in the future. The focus of the Clinic will now be to rebuild the cash balances to fund major repairs of the building and related equipment needed in future years. Various investment alternatives will be evaluated to balance availability, security and rate of return.

The Clinic will continue to face pressure from rising costs of facility and maintenance expenses due to the age of the building. Steps have been taken over the past several years for the Clinic to be more energy efficient. Electric expense did decrease by about 2.0% from fiscal year 2019 after having an increase in fiscal year 2019. Water and sewer expense also decreased by nearly 5%. Based on recent history, repairs to the HVAC systems will continue to be a major need of

## FACULTY CLINIC, INC.

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

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the Clinic. The only major repair or replacement item scheduled for fiscal year 2021 is an upgrade to one of the elevators. In future years, there will be a need to upgrade additional elevators in the building as well as replace the fire alarm panel. Lease rates are projected to remain flat for fiscal year 2021. As the bonds have now been paid off, changes in lease rates for future years will be driven mainly by facility operating and maintenance costs.

### CONTACTING THE CLINIC

This financial report is designed to provide the Clinic's Board of Directors, its creditors, and the Board of Trustees of the University of Florida with a general overview of the Clinic's financial position, operations and cash flows. If you have questions about this report or need additional information, contact the Financial Reporting Department of the Clinic at (904) 244-9500.

## **Financial Statements**

**FACULTY CLINIC, 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	\$ 923,872	\$ 486,240
Assets limited as to use, required for current obligations	-	800,000
Prepaid expenses and other current assets	22,147	17,711
Due from Shands Jacksonville Medical Center, Inc.	-	44,386
TOTAL CURRENT ASSETS	<b>946,019</b>	1,348,337
<b>CAPITAL ASSETS:</b>		
Building and improvements	10,559,699	10,468,837
Equipment	3,870,835	3,866,190
Construction in progress	22,840	-
TOTAL CAPITAL ASSETS	<b>14,453,374</b>	14,335,027
Less: accumulated depreciation and amortization	<b>(13,596,890)</b>	(13,168,850)
TOTAL CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	<b>856,484</b>	1,166,177
TOTAL ASSETS	<b>\$ 1,802,503</b>	<b>\$ 2,514,514</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 74,227	\$ 111,396
Accrued contract labor	21,947	18,432
Due to University of Florida Jacksonville Physicians, Inc.	112,520	32,773
Due to Shands Jacksonville Medical Center, Inc.	1,200	-
Current portion of long-term debt	-	800,000
TOTAL CURRENT LIABILITIES	<b>209,894</b>	962,601
TOTAL LIABILITIES	<b>209,894</b>	962,601
<b>COMMITMENTS AND CONTINGENCIES - Note H</b>		
<b>NET POSITION:</b>		
Net investment in capital assets	856,484	366,177
Restricted for:		
Debt service	-	800,000
Unrestricted	736,125	385,736
TOTAL NET POSITION	<b>1,592,609</b>	1,551,913
TOTAL LIABILITIES AND NET POSITION	<b>\$ 1,802,503</b>	<b>\$ 2,514,514</b>

**FACULTY CLINIC, INC.**

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

	<i>Year Ended June 30,</i>	
	<b>2020</b>	<b>2019</b>
<b>REVENUE:</b>		
Rental income	<b>\$ 1,095,736</b>	<b>\$ 1,195,348</b>
State operating and maintenance funding	<b>336,222</b>	<b>336,222</b>
<b>TOTAL REVENUE</b>	<b>1,431,958</b>	<b>1,531,570</b>
<b>EXPENSES:</b>		
Contract labor	<b>325,365</b>	<b>319,274</b>
Fees	<b>95,835</b>	<b>108,868</b>
Depreciation and amortization	<b>428,040</b>	<b>459,059</b>
Insurance, repairs and maintenance	<b>230,881</b>	<b>268,015</b>
Supplies	<b>55,776</b>	<b>56,852</b>
Utilities and other	<b>281,186</b>	<b>287,186</b>
<b>TOTAL EXPENSES</b>	<b>1,417,083</b>	<b>1,499,254</b>
<b>OPERATING INCOME</b>	<b>14,875</b>	<b>32,316</b>
<b>NONOPERATING REVENUE:</b>		
Interest income	<b>3,206</b>	<b>4,174</b>
Interest and related financing	<b>22,615</b>	<b>8,993</b>
<b>NET NONOPERATING REVENUE</b>	<b>25,821</b>	<b>13,167</b>
<b>INCREASE IN NET POSITION</b>	<b>40,696</b>	<b>45,483</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>1,551,913</b>	<b>1,506,430</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 1,592,609</b>	<b>\$ 1,551,913</b>

**FACULTY CLINIC, 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 rentals	\$ 1,095,736	\$ 1,195,348
Receipt of contributions from State operating and maintenance funding	336,222	336,222
Payments to suppliers and for operating expenses	(570,359)	(791,849)
Payments related to contract labor	(321,850)	(322,233)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<b>539,749</b>	417,488
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	(127,938)	(102,065)
Principal payments on long-term debt	(800,000)	-
Interest and related financing costs	22,615	8,993
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<b>(905,323)</b>	(93,072)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income received	3,206	4,174
Cash transferred from (to) assets limited as to use	800,000	(800,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<b>803,206</b>	(795,826)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>437,632</b>	(471,410)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<b>486,240</b>	957,650
CASH AND CASH EQUIVALENTS, END OF YEAR	<b>\$ 923,872</b>	\$ 486,240



FACULTY CLINIC, INC.

*Statements of Cash Flows - Continued*

	<i>Year Ended June 30,</i>	
	<b>2020</b>	<b>2019</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 14,875	\$ 32,316
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	428,040	459,059
Increase (decrease) in cash due to changes in:		
Prepaid expenses and other current assets	(4,436)	(1,158)
Accounts payable and accrued expenses	(27,578)	(22,056)
Accrued contract labor	3,515	(2,959)
Due to University of Florida Jacksonville Physicians, Inc.	79,747	(3,328)
Due from Shands Jacksonville Medical Center, Inc.	45,586	(44,386)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 539,749</b>	<b>\$ 417,488</b>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital asset additions in accounts payable	\$ -	\$ 9,591

## FACULTY CLINIC, INC.

### *Notes to Financial Statements*

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

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#### NOTE A--REPORTING ENTITY

Faculty Clinic, Inc. (the Clinic) is a nonprofit, tax-exempt corporation originally organized to operate a multi-specialty medical clinic providing outpatient diagnostic and ambulatory surgical care and to further medical education. The Clinic's Board of Directors includes representation from Shands Jacksonville Medical Center, Inc. (Shands Jacksonville), the University of Florida (the University) and University of Florida Jacksonville Physicians, Inc. (UFJP).

Effective January 1, 1995, the Clinic was restructured to operate primarily as a facilities management company that leases defined practice areas to Shands Jacksonville and UFJP.

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

*Basis of Presentation:* The accompanying financial statements present the financial position and results of operations and cash flows of the Clinic. The Clinic is a component unit of the University and, as a result, the Clinic's financial statements are included in the combined financial statements of the University.

The Clinic'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 Clinic has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting.

*Basis of Accounting:* The Clinic'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 Clinic follows GASB standards of accounting and financial reporting.

*Cash and Cash Equivalents:* The Clinic considers all highly liquid investments including cash and interest-bearing deposits with original or remaining maturities of less than 90 days when purchased, excluding assets limited as to use, as cash equivalents for purposes of reporting cash flows.

*Capital Assets:* The Clinic's capital assets are reported at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets which range from 3 to 30 years. Gains and losses on dispositions are recorded in the year

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

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

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of disposal. The Clinic periodically reviews capital assets for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized if the sum of the expected cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset.

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

*Operating Revenue and Expenses:* The Clinic'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 the rental of Clinic space, the Clinic's principal activity, and state operating and maintenance funding. Other revenue, including interest income, is reported as nonoperating revenue. Operating expenses are all expenses incurred other than financing costs and other nonoperating gains/losses.

*Income Taxes:* The Clinic is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. The Internal Revenue Code provides for taxation of certain unrelated business income. The Clinic has no taxable unrelated business income. 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.

*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. Future results could differ from those 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

## FACULTY CLINIC, INC.

### Notes to Financial Statements - Continued

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

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--ASSETS LIMITED AS TO USE

As of June 30, 2019, assets limited as to use consisted of cash funds required to be held in a bond escrow account in an amount equal to the current bond payment, which is due July 1 of each year, as required by the letter of credit (see Note E). Interest earned on deposits to this account was not restricted. As of June 30, 2020, there were no assets limited as to use due to the final bond payment being paid July 1, 2019.

#### NOTE D--CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019 is as follows:

	<i>Balance at June 30, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2020</i>
Capital assets:					
Building and improvements	\$ 10,468,837	\$ 90,862	\$ -	\$ -	\$ 10,559,699
Equipment	3,866,190	4,645	-	-	3,870,835
Construction in progress	-	22,840	-	-	22,840
Total capital assets	14,335,027	118,347	-	-	14,453,374
Accumulated depreciation:					
Building and improvements	9,366,507	416,474	-	-	9,782,981
Equipment	3,802,343	11,566	-	-	3,813,909
Total accumulated depreciation	13,168,850	428,040	-	-	13,596,890
Capital assets, net	\$ 1,166,177	\$ (309,693)	\$ -	\$ -	\$ 856,484

**FACULTY CLINIC, 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>
Capital assets:					
Building and improvements	\$ 10,370,874	\$ 97,963	\$ -	\$ -	\$ 10,468,837
Equipment	3,866,190	-	-	-	3,866,190
Total capital assets	14,237,064	97,963	-	-	14,335,027
Accumulated depreciation:					
Building and improvements	8,925,243	441,264	-	-	9,366,507
Equipment	3,784,548	17,795	-	-	3,802,343
Total accumulated depreciation	12,709,791	459,059	-	-	13,168,850
Capital assets, net	\$ 1,527,273	\$ (361,096)	\$ -	\$ -	\$ 1,166,177

**NOTE E--LONG-TERM DEBT**

Long-term debt activity for the years ended June 30, 2020 and 2019, respectively, is as follows:

	<i>Balance at June 30, 2019</i>	<i>Issuances</i>	<i>Payments</i>	<i>Balance at June 30, 2020</i>	<i>Amounts Due Within One Year</i>
Liabilities:					
Series 1989 Bonds	\$ 800,000	\$ -	\$ (800,000)	\$ -	\$ -
	<i>Balance at June 30, 2018</i>	<i>Issuances</i>	<i>Payments</i>	<i>Balance at June 30, 2019</i>	<i>Amounts Due Within One Year</i>
Liabilities:					
Series 1989 Bonds	\$ 800,000	\$ -	\$ -	\$ 800,000	\$ 800,000

On January 31, 1989, the City of Jacksonville, Florida issued \$8,500,000 in variable rate Industrial Development Revenue Bonds Series 1989 (the Bonds) on behalf of the Clinic to finance the construction of a new facility. The Bonds were subject to mandatory sinking fund redemption in varying amounts, on July 1<sup>st</sup> of each year, commencing July 1, 1991 and continuing through 2019, at a redemption price equal to the principal amount to be redeemed, plus interest accrued to the redemption date but without premium.

Interest on the Bonds was payable quarterly until redemption. The interest rate could have been adjusted on a weekly basis to maintain marketability of the Bonds as determined by the remarketing agent. The interest rate on the bonds was 1.96% at June 30, 2019. The Bonds were paid in full on July 1, 2019.

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

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

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Bond principal and interest payments were collateralized by an irrevocable transferrable letter of credit with Branch Banking & Trust Company (BB&T) in the amount of \$800,000 at June 30, 2019. The BB&T letter of credit was collateralized by a first priority interest in the Bonds and gross revenue of the Clinic. The letter of credit agreement, which was guaranteed by UFJP, Shands Jacksonville and Shands Jacksonville Healthcare, Inc., expired August 1, 2019.

#### NOTE F--RELATED PARTY TRANSACTIONS

During 1995, the Clinic, as lessor, entered into operating lease agreements with UFJP and Shands Jacksonville for the lease of certain office space and equipment through January 1, 2031.

The rental income the Clinic receives is subject to adjustment based on current operating and financing expenses with a view toward passing the costs of the space and equipment to UFJP and Shands Jacksonville.

The following are the future estimated rental payments the Clinic expects to receive on the previously described operating lease arrangements with UFJP and Shands Jacksonville:

<u><i>Year Ending June 30,</i></u>	
2021	\$ 1,135,906
2022	1,135,906
2023	1,135,906
2024	1,135,906
2025	1,135,906
2026-2030	5,679,530
2031	<u>567,953</u>
	<u><u>\$ 11,927,013</u></u>

The Clinic received all rent owed from UFJP for fiscal years 2020 and 2019 and from Shands Jacksonville for fiscal year 2020. In June 2020, the Clinic's Board of Directors approved the abatement of that month's required rental payment for both Shands Jacksonville and UFJP.

*University of Florida Jacksonville Physicians, Inc.:* The Clinic owed \$58,494 and \$32,773 to UFJP for insurance, management fees and other expenses at June 30, 2020 and 2019, respectively. At June 30, 2020, UFJP had \$54,026 in prepaid rent, which is being treated as unearned revenue by the Clinic and is included in due to UFJP in the statement of net position.

Additionally, UFJP charged the Clinic a management fee of \$45,000 in each of the years ended June 30, 2020 and 2019, which is included in fees expense in the accompanying statements of revenue, expenses and changes in net position.

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

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

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The Clinic has no employees. All staffing is provided by UFJP on a contract basis and is recognized as contract labor expense in the statements of revenue, expenses and changes in net position for the years ended June 30, 2020 and 2019.

*Shands Jacksonville:* The Clinic had a net payable to Shands Jacksonville of \$1,200 for repairs and maintenance expense at June 30, 2020 and a net receivable of \$44,386 of rental income at June 30, 2019.

*State O&M Funding:* During 2003, the State approved Operating & Maintenance (O&M) funding for the Clinic. Such funding amounted to \$336,222 for each of the years ended June 30, 2020 and 2019. State O&M funding is appropriated for repairs and maintenance expenditures.

#### NOTE G--RETIREMENT PLAN

The Clinic established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code in December 1987 for eligible employees. There were no contributions to this plan in 2020 and 2019. The current staff are all employees of UFJP and are leased to the Clinic. These employees participate in the UFJP defined contribution plan. Retirement contributions for these employees were \$6,045 and \$6,516 for the years ended June 30, 2020 and 2019, respectively.

#### NOTE H--COMMITMENTS AND CONTINGENCIES

*Lease Agreement:* Effective January 1, 1989, the Clinic and the University of Florida Board of Trustees entered into a sublease agreement related to the land which the Clinic occupies. The lease agreement provides for the Clinic to make annual payments of \$1 through January 1, 2031. The lease term may be extended so long as any principal, premium or interest on any bonds remains unpaid. Renewals beyond the initial term shall be subject to such additional terms as the parties may agree. The land is leased by the University of Florida Board of Trustees from the Duval County Hospital Authority and Shands Jacksonville.

*Professional Liability Insurance:* The Clinic is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

The Clinic ceased providing medical care and treatment January 1, 1995; however, the Clinic continues to maintain professional liability protection on an occurrence basis from the University of Florida J. Hillis Miller Health Center/Jacksonville Self-Insurance Program, a self-insurance program created and administered by the Florida Board of Governors pursuant to Section 1004.24, Florida Statutes. There are no professional medical malpractice claims currently pending against the Clinic, and none can be reasonably anticipated given Florida's two-year

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

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

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statute of limitations and four-year statute of repose (s. 95.11, Florida Statutes) for such claims. Professional liability protection is obtained by the Clinic primarily to provide for the defense costs necessarily incurred to respond to and defend any unsupported allegations and litigation filed against the Clinic.

*Concentration of Credit Risk:* Certain financial instruments potentially subject the Clinic to concentrations of credit risk. The Clinic maintains its cash and cash equivalents with what it believes to be high quality financial institutions and thus limits its credit exposure. The cash maintained in these institutions may from time to time exceed federally insured limits; however, management believes the credit risk to be minimal.

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

Management estimates that the carrying value of its financial instruments, including cash and cash equivalents, prepaid expenses and other current assets, assets limited as to use, accounts payable and accrued expenses, accrued salaries and benefits and other current liabilities 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 long-term debt approximates fair value due to the variable rate and weekly remarketing feature.

#### NOTE J--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 on the economy. Management continues to monitor this volatility, but the ultimate outcome of the pandemic on the Clinic 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.



## **Other Information**



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 the  
Faculty Clinic, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Faculty Clinic, Inc. (the Clinic) (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 Clinic's basic financial statements, and have issued our report thereon dated September 28, 2020.

***Internal Control Over Financial Reporting***

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

DYA, P.C.

Tampa, Florida  
September 28, 2020