Certified Public Accountants

Financial Statements
(and Other Financial Information)

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

Years Ended June 30, 2021 and 2020

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

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Years Ended June 30, 2021 and 2020

PYA
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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, 2021 and 2020, 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, 2021 and 2020, 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 13 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 October 4, 2021 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
October 4, 2021

Management's Discussion and Analysis

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, 2021. 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

Following the dismal financial performance of fiscal year 2020, the FCPA experienced a very strong recovery during fiscal year 2021. Because of the COVID-19 pandemic and resulting executive orders from the Governor of the State of Florida, the College of Medicine had to make significant changes to operations, effective March 2020. As a result, substantial financial losses were suffered by the FCPA. To mitigate the effects of the revenue losses, the College of Medicine's leadership implemented several cost reduction measures in the last quarter of fiscal year 2020. Because of the uncertainty and slow recovery at the beginning of fiscal year 2021, coupled with the pandemic driven financial decline in the prior fiscal year, the College of Medicine continued its rigorous capital expenditure approval process and maintained its spending restrictions on dues and subscriptions and travel through the third quarter of the current fiscal year. In December 2020, when leadership was comfortable that the recovery was sustainable, the College of Medicine initiated a one-time variable compensation payment to its faculty to incentivize them for working under the pandemic's challenging circumstances.

During the second half of fiscal year 2020 the College of Medicine 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 Network. Most of the hiring for provision of services for the Regional Network started during the final quarter of fiscal year 2020. In fiscal year 2021 the Regional Network saw significant expansion as more specialties were added to the programs. Some of the increases were at Central Florida Health Leesburg and the Villages, Halifax Health - UF Health Medical Center of Deltona, Halifax Health of Daytona and the Women's Center in Lake City.

The FCPA's net position increased $30.1 million or 20.8% during fiscal year 2021. The increase in net position was primarily a result of patient revenue growth due to increases in patient visits at established clinics and new patient visits from Regional Network growth. Operating revenue was $827.3 million and increased $121.2 million or 17.2% over the prior year. Total operating expense of $222.5 million increased $14 million or 6.7% when compared to the prior year.

Professional fees from direct patient care of $546.2 million increased $92 million or 20.3% during fiscal year 2021 from the prior year. The increase in direct patient care revenue is primarily the result of an increase in patient visits at our established clinics and growth from Regional Network. Professional fees from direct patient care were down last fiscal year due to the pandemic. This too contributed to the current year's comparative increase.

Professional fees from indirect patient care and other revenue of $281.1 million increased $29.1 million or 11.6% during fiscal year 2021 compared to the prior year. The increase was primarily due to additional revenue from three existing contracts and new contracts this year that are part of the Regional Network.

Investment income of $3 million increased $1.5 million or 101.5% during fiscal year 2021 from the prior year. Investment income was up primarily due to a $2.4 million increase in the fair market value of the FCPA's investment portfolio. Lower interest rates paid on our cash balances had a negative $0.9 million impact on investment income when compared to the prior year.

Interest expense for long-term debt and capital lease obligations in the 2021 fiscal year was $2.1 million. This was a $0.2 million decrease from the prior year.

Transfers increased $57.6 million or 11.1% to $578.4 million during the 2021 fiscal year. Approximately $31.6 million or 6.1% was due to the exponential growth in the Regional Network initiative which started during the second half of fiscal year 2020. Because of the pandemic, the Faculty Compensation Plan was suspended for fiscal year 2020. The College of Medicine provided approximately $6 million in Variable Productivity payments to faculty in December of 2020 as sustainable operations returned and made available necessary resources. Funding to cover Other Personnel Services (OPS) earnings, excluding Regional Network's physicians, increased by $6.7 million to pre-pandemic levels. Effective fiscal year 2021, the College of Medicine changed its policy to fund estimated incentives in the year earned instead of the year paid. As a result, there is an additional $15 million of transfers in fiscal year 2021 to fund the 2021 faculty year-end incentives that will be paid in fiscal year 2022. Because the compensation plan was suspended in fiscal year 2020, there was no such transfer in fiscal year 2021. Approximately $10 million of the transfer increase was to cover increased lab services and supplies incurred mostly due to COVID-19 testing. The current year transfers includes $3.5 million, which was subsequently transferred to Shands Teaching Hospital and Clinics, Inc. (Shands) to partially cover the cost of constructing the Fixel Center Phase zero building. These funds will be recouped, per agreement with the University of Florida (University), as philanthropic funds are received by the College of Medicine to cover the costs. The College of Medicine transferred approximately $6.5 million, from FCPA to other University funds as additional support for education and research.

The overall financial health of the FCPA remains strong. The FCPA's net position increased by $30.1 million or 20.8% to $174.5 million. Current assets of $222.7 million are more than sufficient to cover current liabilities of $60.5 million. The FCPA has $79.7 million in long-term debt and capital lease obligations less current portion at June 30, 2021.

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

	2021	*2020*	*Increase (Decrease)*	*Percent Change*	*Percentage of 2021 Total*
ASSETS					
Cash and cash equivalents	$ 50,597,651	$ 77,102,918	$ (26,505,267)	-34.38%	15.89%
Patient accounts receivable, net	94,825,644	45,301,356	49,524,288	109.32%	29.77%
Other current assets (excluding short term investments)	47,158,742	25,877,373	21,281,369	82.24%	14.81%
Investments - long term and short term	37,593,216	35,343,874	2,249,342	6.36%	11.80%
Property and equipment, net	87,430,579	91,816,035	(4,385,456)	-4.78%	27.45%
Facilities entitlements, net	852,613	1,254,961	(402,348)	-32.06%	0.27%
Other assets	45,484	43,129	2,355	5.46%	0.01%
TOTAL ASSETS	$ 318,503,929	$ 276,739,646	$ 41,764,283	15.09%	100.00%

At June 30, 2021, total assets for the FCPA were $318.5 million, an increase of $41.8 million or 15.1% from the prior year.

The FCPA's most significant asset was net patient accounts receivable. Net patient accounts receivable were $94.8 million or 29.8% of total assets at June 30, 2021. Net patient accounts receivable increased by $49.5 million or 109.3% from the prior year. The increase in net patient accounts receivable is primarily because of the increase (plus $43.3 million) in the amount due from the Medicaid Enhanced Payment Program at June 30, 2021.

The FCPA's second most significant asset was property and equipment, net. Property and equipment, net was $87.4 million or 27.5% of total assets at June 30, 2021. Property and equipment, net decreased by $4.4 million or 4.8% from the prior year.

At June 30, 2021, the FCPA had $88.3 million invested in a broad range of capital assets, net of accumulated depreciation and amortization of $71.3 million, including facilities entitlements. The amount represents a net decrease (including additions and deductions) of approximately $4.8 million or 5.1% compared to last year. The decrease was primarily the result of current year depreciation in buildings. No new buildings were added in fiscal year 2021 and as a result of the pandemic driven rigorous capital expenditure approval process, less furniture, fixtures and equipment were added. As a result, depreciation was significantly higher than additions.

Table 2 - Capital Assets, Net

	2021	2020	Increase (Decrease)	Percent Change	Percentage of 2021 Total
Buildings	$ 58,989,543	$ 60,862,168	$ (1,872,625)	-3.08%	66.81%
Land	1,648,523	1,648,523	-	0.00%	1.87%
Leasehold improvements	19,250,937	19,133,310	117,627	0.61%	21.81%
Furniture, fixtures and equipment	7,541,576	10,021,172	(2,479,596)	-24.74%	8.54%
Capital assets in progress	-	150,862	(150,862)	-100.00%	0.00%
Facilities entitlements	852,613	1,254,961	(402,348)	-32.06%	0.97%
TOTAL CAPITAL ASSETS, NET	$ 88,283,192	$ 93,070,996	$ (4,787,804)	-5.14%	100.00%

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 39th 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 2022, the FCPA has approximately $6.7 million budgeted for capital expenditures that will be used to renovate and equip clinics and fund various additional capital projects.

The FCPA's third most significant asset was cash and cash equivalents. Cash and cash equivalents were $50.6 million or 15.9% of total assets at June 30, 2021. Cash and cash equivalents decreased by $26.5 million or 34.4% from the prior year. This decrease is more than offset by the significant increases in all three categories of accounts receivable at June 30, 2021.

Table 3 - Patient Accounts Receivable, Net

	2021	2020	Increase (Decrease)	Percent Change
Beginning accounts receivable	$ 128,245,493	$ 128,679,672	$ (434,179)	-0.34%
Net charges	575,874,727	476,513,426	99,361,301	20.85%
Payments	(520,852,778)	(460,111,080)	(60,741,698)	13.20%
Bad debt write off	(42,116,798)	(43,676,914)	1,560,116	-3.57%
Refunds	22,085,316	26,840,389	(4,755,073)	-17.72%
Accounts receivable	163,235,960	128,245,493	34,990,467	27.28%
Reserve for contractual adjustments	(118,017,975)	(92,380,434)	(25,637,541)	27.75%
Reserve for uncollectible accounts	(6,412,127)	(4,614,838)	(1,797,289)	38.95%
Sub-total accounts receivable, net	38,805,858	31,250,221	7,555,637	24.18%
Medicaid Enhanced Payment and Low Income Pool Programs	56,019,786	14,051,135	41,968,651	298.69%
Total accounts receivable, net	$ 94,825,644	$ 45,301,356	$ 49,524,288	109.32%

The FCPA's fourth most significant asset was other current assets excluding short term investments. Other current assets were $47.2 million or 14.8% of total assets at June 30, 2021. Other current assets increased $21.3 million or 82.2% from the prior year. Due from affiliates was up $8 million primarily due to outstanding receivables from UF Health Central Florida. Other receivables were up $13.3 million and the increase was attributed to amounts due from the State's Agency for Healthcare Administration.

Table 4 - Condensed Statements of Liabilities

	2021	*2020*	*Increase (Decrease)*	*Percent Change*	*Percentage of 2021 Total*
LIABILITIES					
Accounts payable and accrued expenses	$ 20,288,618	$ 23,281,969	$ (2,993,351)	-12.86%	14.09%
Long-term debt and capital lease obligations, including current portions	83,737,577	87,566,882	(3,829,305)	-4.37%	58.18%
Fair Value of Interest Rate Swap	3,760,582	6,643,650	(2,883,068)	-43.40%	2.61%
Deferred Revenue	23,835,844	-	23,835,844	100.00%	16.56%
Third-party advanced payments	11,436,508	14,589,724	(3,153,216)	-21.61%	7.94%
Unearned revenue	897,940	168,330	729,610	433.44%	0.62%
TOTAL LIABILITIES	$ 143,957,069	$ 132,250,555	$ 11,706,514	8.85%	100.00%

At June 30, 2021, total liabilities for the FCPA were $144 million. Total liabilities increased $11.7 million or 8.9% when compared to the prior year.

The FCPA's most significant liability is its long-term debt and capital lease obligations of $83.7 million or 58.2% of total liabilities at June 30, 2021. Long-term debt and capital lease obligations were $87.6 million in the prior year. The FCPA had a debt to net assets ratio of .48 in fiscal year 2021 and .61 in fiscal year 2020. Long-term debt and capital lease obligations decreased $3.8 million. The decrease is due to principal payments.

The FCPA's second most significant liability was deferred revenue. Deferred revenue was $23.8 million at June 30, 2021. This amount is solely due to unrecognized Provider Relief Funds received in January 2021. The funds are available for use through June 2022, for allowed expenses and revenue loss methodology acceptance by Department of Health and Human Services. There was no deferred revenue last fiscal year end.

The FCPA's third most significant liability is its accounts payable and accrued expenses, which is $20.3 million or 14.1% of total liabilities at June 30, 2021. Accounts payable and accrued expenses decreased by $3 million or 12.9%.

The FCPA's fourth most significant liability was third-party advanced payments. Third-party advanced payments were $11.4 million at June 30, 2021. Third-party advanced payments decreased $3.2 million or 21.6% from 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. The decrease of $3.2 million represents the recoupment by the third-party of the advance. The recoupment process started in April 2021. Repayments are automatically recouped at 25% of any Medicare payments due to the College.

Net Position: Net position increased by $30.1 million or 20.8% to $174.5 million. Current assets of $222.7 million are more than sufficient to cover current liabilities of $60.5 million. The FCPA has $79.7 million in long-term debt and capital lease obligations less current portion at June 30, 2021.

Table 5 - Condensed Statements of Revenue and Expenses

	2021	*2020*	*Increase (Decrease)*	*Percent Change*
OPERATING ACTIVITIES:				
Professional fees from direct patient care	$ 546,154,433	$ 454,111,829	$ 92,042,604	20.27%
Professional fees from indirect patient care	187,207,696	155,632,689	31,575,007	20.29%
Other revenue	93,896,677	96,343,494	(2,446,817)	-2.54%
TOTAL OPERATING REVENUE	827,258,806	706,088,012	121,170,794	17.16%
OPERATING EXPENSES:				
Contractual services	174,876,522	164,018,106	10,858,416	6.62%
Other operating expenses	47,644,016	44,565,282	3,078,734	6.91%
TOTAL OPERATING EXPENSES	222,520,538	208,583,388	13,937,150	6.68%
OPERATING INCOME	604,738,268	497,504,624	107,233,644	21.55%
NONOPERATING REVENUE (EXPENSES):				
Investment income	2,968,324	1,472,864	1,495,460	101.53%
Interest expense, net	(2,103,547)	(2,274,686)	171,139	-7.52%
Gain on extinguishment of debt	-	1,929,500	(1,929,500)	100.00%
Change in mark-to-market of interest rate swaps	2,883,068	(4,958,502)	7,841,570	-158.14%
Loss on disposal of property and equipment	(38,534)	(2,985)	(35,549)	1190.92%
Federal assistance revenue	-	11,490,094	(11,490,094)	100.00%
NET NONOPERATING REVENUE	3,709,311	7,656,285	(3,946,974)	51.55%
INCREASE IN NET POSITION BEFORE TRANSFERS	608,447,579	505,160,909	103,286,670	20.45%
TOTAL TRANSFERS	(578,389,810)	(520,740,145)	(57,649,665)	11.07%
(DECREASE) INCREASE IN NET POSITION	$ 30,057,769	$ (15,579,236)	$ 45,637,005	-292.93%

Current year revenues were greater than operating expenses and transfers resulting in an increase in net position for the current year of $30.1 million.

Operating Revenue: Total operating revenue for the current year was $827.3 million. Professional fees from direct patient care are the most significant source of revenue representing $546.2 million or 66% of the total operating revenue.

Table 6 - Professional Fees from Direct Patient Care

	2021	*2020*	*Increase (Decrease)*	*Percent Change*
Charges	$ 1,817,193,993	$ 1,476,404,919	$ 340,789,074	23.08%
Contractual adjustments	(1,249,153,803)	(1,001,499,086)	(247,654,717)	24.73%
Provision for bad debt	(21,885,757)	(20,794,004)	(1,091,753)	5.25%
Net direct charges from patient care	$ 546,154,433	$ 454,111,829	$ 92,042,604	20.27%

Professional fees from direct patient care increased $92 million or 20.3% during the 2021 fiscal year when compared to the prior year. Total charges increased $340.8 million or 23.1%. The increased charges were primarily the result of increased volume that was evidenced by an increase in WRVUs of 10.8% and patient visits of 15.5%.

Contractual adjustments increased $247.7 million or 24.7%. Contractual adjustments as a percentage of charges increased 0.9% to 68.7% compared to the prior year.

Provision for bad debt increased $1.1 million or 5.3%. Provision for bad debt as a percentage of charges decreased 0.2% to 1.2% compared to the prior year.

Professional fees from indirect patient care of $187.2 million increased $31.6 million or 20.3% during the 2021 fiscal year. The increase was due to additional revenue from three existing contracts and new contracts this year as part of the Regional Network.

Operating Expenses: Total operating expenses for the current year were $222.5 million. Operating expenses increased $13.9 million or 6.7% when compared to the prior year. The contractual services expense of $174.9 million (78.6% of total operating expenses) is the most significant operating expense. This expense increased $10.9 million or 6.6% from the prior year. Other operating expenses increased $3.1 million or 6.9% in the current year.

In July 2002, the College of Medicine entered an employee-leasing contract with 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 $81.7 million an increase of $4.4 million or 5.7% over the prior fiscal year. The increase is attributed to additional costs associated with the growth of the Regional Network initiative.

Other operating expenses were $47.6 million and increased $3.1 million or 6.9% compared to the prior year. The increase in other operating expenses was attributed to business growth. Occupancy expense was up $1.8 million primarily due to Regional Network leases. Other operating expenses as a percentage of operating revenue were 5.8% in the current fiscal year and 6.3% in the prior fiscal year.

Nonoperating Revenue (Expenses): Total nonoperating revenue (net of expenses) for the current year was $3.7 million compared to $7.7 million in the prior fiscal year. This resulted in a negative variance of $4 million. Federal assistance revenue of $11.5 million and a gain of $1.9 million on an extinguishment of debt was recognized last fiscal year. The federal assistance payments, received to cover lost revenue and/or pandemic health-related expenses, was part of the CARES Act. There was no such revenue or gain recognized in the current year. Compared to the prior year we were up $1.5 million in investment income and the fair value of the mark-to-market interest rate swaps increased $7.8 million.

The $1.5 million increase in Investment income was primarily due to an increase in the fair market value of our investment portfolio ($2.4 million) and a decrease in interest earnings of $0.9 million due to lower interest rates.

The fair value of the mark-to-market interest rate swaps increased $7.8 million compared to the prior year. This increase was a result of the favorable market conditions.

Interest expense for long-term debt and capital lease obligations in the 2021 fiscal year was $2.1 million. This was a $0.2 million decrease from the prior year.

Transfers: Transfers increased $57.6 million or 11.1% to $578.4 million during the 2021 fiscal year. Approximately $31.6 million or 6.1% was due to the exponential growth in the Regional Network initiative which started during the second half of fiscal year 2020. The network expanded to include more services at Central Florida Health at Leesburg and the Villages, Halifax Health - UF Health Medical Center of Deltona, Halifax Health of Daytona as well as new clinics in various geographic areas including Lake City, Ocala and Starke. Almost all the increase in the Regional Network expenses was to cover payroll expenses for employed physicians and staff as well as contract labor for these new facilities. The increased expense is offset by increased direct and indirect patient revenue in the FCPA. Because of the pandemic, the Faculty Compensation Plan was suspended for fiscal year 2020. The College of Medicine provided approximately $6 million in Variable Productivity payments to faculty in December of 2020 as sustainable operations returned and made available necessary resources. Funding to cover Other Personnel Services (OPS) earnings, excluding Regional Network's physicians, increased by $6.7 million to pre-pandemic levels. Last fiscal year the Office of Senior Vice President for Health Affairs provided additional support to minimize the impact of the pandemic on the College of Medicine. Approximately $6.6 million of last fiscal year's OPS expense was covered by this one-time support instead of being funded by the FCPA. This expense moved back to FCPA transfer funding in fiscal year 2021. Effective fiscal year 2021, the College of Medicine changed its policy to fund estimated incentives in the year earned instead of the year paid. As a result, there is an additional $15 million of transfers in fiscal year 2021 to fund the 2021 faculty year-end incentives that will be paid in fiscal year 2022. Because the compensation plan was suspended in fiscal year 2020, there was no such transfer in fiscal year 2021. Approximately $10 million of the transfer increase was to cover increased lab services and supplies incurred mostly due to COVID-19 testing. This increased expense is offset by increased COVID-19 testing and other patient revenue recognized in the FCPA. Because the expense reduction measures were carried forward to minimize the negative impact of the pandemic, funding to cover expenses like travel and recruitment related expenses declined by approximately $5.5 million. The current year transfers includes $3.5 million, which was subsequently transferred to Shands to partially cover the cost of constructing the Fixel Center Phase zero building. These funds will be recouped, per agreement with the University, as philanthropic funds are received by the College of Medicine to cover the costs. The College of Medicine transferred approximately $6.5 million, from FCPA to other University funds as additional support for education and research. This investment remained at the same level as the prior year.

Table 7 - Operational Key Indicators

	2021	*2020*	*Increase (Decrease)*	*Percent Change*
WRVUs	5,081,296	4,585,948	495,348	10.80%
Patient visits	1,198,529	1,037,885	160,644	15.48%

Total WRVUs increased 10.8% from the prior year. Patient visits increased 15.5%. These increases are attributed to an increase in our established clinics, growth associated with Regional Network and last fiscal year was down due to the pandemic.

Table 8 - Condensed Statements of Cash Flows

	2021	*2020*	*Increase (Decrease)*	*Percent Change*
CASH PROVIDED BY (USED IN):				
Operating activities	$ 534,111,119	$ 507,639,061	$ 26,472,058	5.21%
Noncapital financing activities	(554,553,966)	(509,250,051)	(45,303,915)	8.90%
Capital and related financing activities	(6,781,402)	(20,589,417)	13,808,015	-67.06%
Investing activities	718,982	24,004,824	(23,285,842)	97.00%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,505,267)	1,804,417	(28,309,684)	-1568.91%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,102,918	75,298,501	1,804,417	2.40%
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 50,597,651	$ 77,102,918	$ (26,505,267)	-34.38%

Total cash and cash equivalents decreased by $26.5 million in the current year.

Funds From Operating Activities: Cash provided by operating activities of $534.1 million was $26.5 million or 5.2% 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 $683.8 million, an increase of $63.7 million or 10.3% from the prior year. Other receipts were down $15.7 million or 17.8% due to timing of receipts from the Agency for Health Care Administration. The largest category of payments from operating funds was payments to contractors of $175 million, which increased $10.9 million or 6.6% from the prior year. Payment to suppliers and other were up $10.6 million.

Funds From Noncapital Financing Activities: Cash used in noncapital financing activities of $554.5 million was $45.3 million or 8.9% more than cash used in the prior fiscal year. Cash used by noncapital financing activities are primarily funds transferred to the University. $31.6 million of this increase is attributed to the Regional Network expansion and $15 million is due to the change in policy to fund estimated incentives.

Funds From Investing Activities: Cash provided by investing activities in the current fiscal year was $0.7 million. In the prior year, cash provided by investing activities was $24 million. The decrease of cash provided of $23.3 million from the prior year is primarily due to the use of funds last year from an escrow account to complete the construction of the ophthalmology and otolaryngology clinic. There was no such use of funds this fiscal year.

Funds From Capital and Related Financing Activities: Cash used in capital and related financing activities was $6.8 million for fiscal 2021 compared to $20.6 million cash used in financing activities for fiscal 2020. The comparative decrease is $13.8 million. The largest use of funds for capital and related financing activities in the current year was $3.8 million for long term debt principal payments and last fiscal year was for the purchase of property and equipment of $15.6 million to complete the ophthalmology and otolaryngology clinic.

ECONOMIC FACTORS

The College of Medicine received approximately 5.8% 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 $15.7 million and $14.5 million in 2021 and 2020 respectively from the Program. The revenue from the Program represents 1.9% of the FCPA's total operating revenue for fiscal year 2021. The program is projected to continue throughout fiscal year 2022.

In fiscal year 2021, the FCPA received 25.3% 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.

Beginning in March 2020, the FCPA's financial position has been significantly impacted in different ways by the COVID-19 pandemic. Patient revenues suffered a significant hit in fiscal 2020 which was mitigated by leadership's cost cutting interventions and federal assistance revenue received. Fiscal year 2021 saw a turnaround to normal patient activities in most specialties as restrictions were lifted and the local community saw a decline in COVID-19 cases. It is difficult to predict what the future impacts of the pandemic will be on the business. We have recently seen a rise in transmissions causing UF Health to implement another elective surgery cancellation order in early August 2021. The FCPA currently holds $23.2 million in deferred revenue from Provider Relief Funds that can be used to mitigate losses as appropriate, through June 2022.

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

		June 30,		
		2021		*2020*
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	**$**	**50,597,651**	$	77,102,918
Investments		**30,101,370**		27,464,827
Patient accounts receivable, net of estimated contractual adjustments and uncollectible accounts of $124,430,102 in 2021 and $96,995,272 in 2020		**94,825,644**		45,301,356
Interest receivable		**6,083**		6,083
Due from affiliates		**16,499,194**		8,546,351
Other receivables		**30,651,665**		17,323,139
Other assets		**1,800**		1,800
TOTAL CURRENT ASSETS		**222,683,407**		175,746,474
INVESTMENTS:				
Long-term investments		**1,048,600**		1,023,510
Investment in UF Health South Central, LLC		**6,443,246**		6,855,537
TOTAL LONG-TERM INVESTMENTS		**7,491,846**		7,879,047
CAPITAL ASSETS:				
Property and equipment, net		**87,430,579**		91,816,035
Facilities entitlements, net		**852,613**		1,254,961
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION		**88,283,192**		93,070,996
OTHER ASSETS:				
Deposits		**45,484**		43,129
TOTAL OTHER ASSETS		**45,484**		43,129
TOTAL ASSETS	**$**	**318,503,929**	$	276,739,646

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Net Position - Continued

	June 30, 2021	June 30, 2020
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	**$ 20,288,618**	$ 23,281,969
Current portion of long-term debt and capital lease obligations	**4,023,900**	3,972,780
Deferred revenue - Note N	**23,835,844**	-
Third-party advanced payments	**11,436,508**	14,589,724
Unearned revenue	**897,940**	168,330
CURRENT LIABILITIES	**60,482,810**	42,012,803
OTHER LIABILITIES:		
Long-term debt and capital lease obligations, less current portion	**79,713,677**	83,594,102
Estimated fair value of interest rate swaps	**3,760,582**	6,643,650
TOTAL LIABILITIES	**143,957,069**	132,250,555
COMMITMENTS AND CONTINGENCIES - Notes H and K		
NET POSITION:		
Net investment in capital assets	**3,693,002**	4,249,153
Unrestricted	**170,853,858**	140,239,938
TOTAL NET POSITION	**174,546,860**	144,489,091
TOTAL LIABILITIES AND NET POSITION	**$ 318,503,929**	$ 276,739,646

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Revenue, Expenses and Changes in Net Position

	Year Ended June 30, 2021	2020
OPERATING REVENUE:		
Direct revenue from patient care (net of estimated contractual allowances and discounts)	**$ 568,040,190**	$ 474,905,833
Estimated provision for bad debts	**(21,885,757)**	(20,794,004)
Net direct revenue from patient care less estimated provision for bad debts	**546,154,433**	454,111,829
Indirect revenue from patient care	**187,207,696**	155,632,689
TOTAL NET PATIENT SERVICE REVENUE	**733,362,129**	609,744,518
Other revenue	**93,896,677**	96,343,494
TOTAL OPERATING REVENUE	**827,258,806**	706,088,012
OPERATING EXPENSES:		
Contractual services	**174,876,522**	164,018,106
Insurance	**3,365,541**	3,434,435
Depreciation and amortization	**6,364,715**	5,466,805
Operating supplies	**20,549,255**	20,185,734
Occupancy expenses	**9,679,787**	7,869,970
Printing and reproduction	**118,284**	152,203
Dues and subscriptions	**1,362,015**	1,233,981
Food and entertainment	**57,922**	105,564
Repairs and maintenance	**4,254,019**	4,260,765
Travel	**64,941**	117,221
Advertising	**379**	20,227
Telephone, freight, and postage	**1,732,724**	1,669,010
Other	**94,434**	49,367
TOTAL OPERATING EXPENSES	**222,520,538**	208,583,388
OPERATING INCOME	**604,738,268**	497,504,624
NONOPERATING REVENUE (EXPENSES):		
Investment income	**2,968,324**	1,472,864
Interest expense, net	**(2,103,547)**	(2,274,686)
Gain on forgiveness of debt, net	**-**	1,929,500
Change in mark-to-market of interest rate swaps	**2,883,068**	(4,958,502)
Loss on disposal of property and equipment	**(38,534)**	(2,985)
Federal assistance revenue	**-**	11,490,094
NET NONOPERATING REVENUE	**3,709,311**	7,656,285

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

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

	Year Ended June 30, 2021	2020
INCREASE IN NET POSITION BEFORE TRANSFERS	**608,447,579**	505,160,909
TRANSFERS:		
Transfers to the University of Florida College of Medicine	**(571,890,171)**	(514,388,106)
Transfers to others	**(6,499,639)**	(6,352,039)
TOTAL TRANSFERS	**(578,389,810)**	(520,740,145)
INCREASE (DECREASE) IN NET POSITION	**30,057,769**	(15,579,236)
NET POSITION, BEGINNING OF YEAR	**144,489,091**	160,068,327
NET POSITION, END OF YEAR	**$ 174,546,860**	$ 144,489,091

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Cash Flows

	Year Ended June 30, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on behalf of patients	**$ 683,837,841**	$ 620,104,992
Other receipts	**72,576,774**	88,275,459
Payments to contractors	**(174,876,522)**	(164,018,106)
Payments to suppliers and others	**(47,332,540)**	(36,673,917)
Other	**(94,434)**	(49,367)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**534,111,119**	507,639,061
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to the University of Florida College of Medicine	**(571,890,171)**	(514,388,106)
Transfers to others	**(6,499,639)**	(6,352,039)
Federal assistance receipts	**23,835,844**	11,490,094
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	**(554,553,966)**	(509,250,051)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	**(747,975)**	(15,605,287)
Proceeds from the sale of property and equipment	**82,837**	-
Costs associated with the forgiveness of debt	**-**	(20,500)
Principal payments on capital lease obligations	**(164,534)**	(116,788)
Principal payments on long-term debt	**(3,848,183)**	(2,572,156)
Interest paid under capital lease obligations and long-term debt	**(2,103,547)**	(2,274,686)
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(6,781,402)**	(20,589,417)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales, calls and maturities of investments	**31,356,568**	44,250,280
Interest and dividends received	**339,719**	1,307,654
Purchase of investments	**(31,389,596)**	(44,611,078)
Reductions in assets limited as to use, net	**-**	23,057,968
Capital distribution from UF Health South Central LLC investment	**412,291**	-
CASH PROVIDED BY INVESTING ACTIVITIES	**718,982**	24,004,824

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Cash Flows - Continued

	Year Ended June 30, 2021	2020
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(26,505,267)**	1,804,417
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**77,102,918**	75,298,501
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 50,597,651**	$ 77,102,918
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	**$ 604,738,268**	$ 497,504,624
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**6,364,715**	5,466,805
Increase (decrease) in cash due to changes in:		
Accounts receivable, net	**(49,524,288)**	(5,529,714)
Due from affiliates	**(7,952,843)**	2,254,288
Other receivables	**(13,328,526)**	(9,018,874)
Other assets	**(2,355)**	(2,083)
Accounts payable and accrued expenses	**(3,760,246)**	4,052,970
Third-party advanced payments	**(3,153,216)**	14,589,724
Unearned revenue	**729,610**	(1,678,679)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 534,111,119**	$ 507,639,061
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset additions included in accounts payable	**$ 1,070,187**	$ 303,292
Equipment purchases financed with capital leases	**$ 183,412**	$ -

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.

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.

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, 2021 and 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, 2018 through 2021 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. 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 adopted this Statement effective July 1, 2021.

Reclassifications: Certain reclassifications have been made to the 2020 amounts to conform to the 2021 presentation. These reclassifications had no impact on the decrease in net position.

NOTE C--INVESTMENTS

The FCPA had the following investments as of June 30, 2021 and 2020:

			Fair Value	
Investments	***Maturities***	***Call Options***	***2021***	***2020***
HSBC USA Inc.	04/17/2024	Non Call	$ 1,048,600	$ 1,023,510
Vanguard S-T Corp Fund	N/A	N/A	4,264,730	4,175,598
Vanguard Dividend Growth Fund	N/A	N/A	10,125,580	7,611,199
TD Wealth Sweep Program	N/A	N/A	15,711,060	15,678,030
	Total		$ 31,149,970	$ 28,488,337

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, 2021 are as follows:

		Investment Maturities (in Years)			
Types of Investments	*Fair Value*	*Less than 1*	*1-5*	*6-10*	*More than 10*
Commercial Bonds and Notes	$ 1,048,600	$ -	$ 1,048,600	$ -	$ -
TD Wealth Sweep Program	15,711,060	15,711,060	-	-	-
Stock Mutual Fund	10,125,580	10,125,580	-	-	-
Bond Mutual Fund	4,264,730	4,264,730	-	-	-
TOTAL	$ 31,149,970	$ 30,101,370	$ 1,048,600	$ -	$ -

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, 2021, 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:

Types of Investments	*Fair Value*	*AAA/Aaa*	*AA/Aa*	*Aa3*	*Less than A/Ba or Not Rated*
Commercial Bonds and Notes	$ 1,048,600	$ -	$ -	$ 1,048,600	$ -
Bond Mutual Fund	4,264,730	-	-	4,264,730	-
TOTAL	$ 5,313,330	$ -	$ -	$ 5,313,330	$ -

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, 2021 as follows:

Issuer	*Fair Value*	*% Total*
HSBC USA Inc.	$ 1,048,600	3.4%
Vanguard Dividend Growth Fund	10,125,580	32.5%
Vanguard S-T Corp Fund	4,264,730	13.7%
TD Wealth Sweep Program	15,711,060	50.4%
TOTAL	$ 31,149,970	100.0%

The changes in fair value of investments for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Fair value at end of year	$ 31,149,970	$ 28,488,337
Add: Proceeds of called/matured investments	31,356,568	44,250,280
Less: Cost of investments purchased	(31,389,596)	(44,611,078)
Add: Amortization of discount/premium	-	(24,745)
Less: Reinvested dividends	(390,641)	(483,592)
Less: Fair value at beginning of year	(28,488,337)	(27,816,490)
Change in fair value of investments	$ 2,237,964	$ (197,288)

At June 30, 2021 and 2020, the FCPA had $2,609,352 and $2,445,014, respectively, of deposits in sweep accounts with financial institutions. These deposits were insured by the Federal Deposit Insurance Corporation coverage limit standard insurance amount of $250,000 per depositor, per insured bank, for each account ownership category. 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 year ended June 30, 2021.

Assets	$ 13,409,072
Liabilities	$ 522,580
Net position	$ 12,886,492
Net gain	$ -

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 (HMO). 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 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:

	Year Ended June 30, 2021	2020
Gross direct charges from patient care	$ 1,817,193,993	$ 1,476,404,919
Less: Contractual adjustments	(1,249,153,803)	(1,001,499,086)
Estimated provision for bad debts	(21,885,757)	(20,794,004)
Total direct revenue from patient care	546,154,433	454,111,829
Indirect revenue from patient care	187,207,696	155,632,689
Total net patient service revenue	$ 733,362,129	$ 609,744,518

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

	Year Ended June 30, 2021	2020
Third-party payers	$ 443,121,089	$ 363,708,650
Patients, including self-insured	62,819,089	49,083,027
Medicaid Enhanced Payment Program	62,100,012	62,114,156
	$ 568,040,190	$ 474,905,833

Contractual adjustments for 2021 and 2020 include approximately $54,950,000 and $56,500,000, 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.

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, 2021 and 2020 includes $62,100,012 and $62,114,156, respectively, related to the Program. Net patient accounts receivable at June 30, 2021 and 2020 includes $56,019,786 and $12,719,273, 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 (IGT) 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, 2021 and 2020 includes $15,717,239 and $14,536,637, respectively, related to the program. There were no amounts due under the LIP program as of June 30, 2021. 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 (PPO). The basis 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.

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:

	As of June 30, 2021	As of June 30, 2020
Patient accounts receivable based on established charges	$ 219,255,746	$ 142,296,628
Estimated contractual adjustments	(118,017,975)	(92,380,434)
Estimated allowance for uncollectible accounts	(6,412,127)	(4,614,838)
Patient accounts receivable, net	$ 94,825,644	$ 45,301,356

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

	As of June 30, 2021	As of June 30, 2020
Insurance carriers under commercial and managed care plans	$ 24,084,357	$ 19,680,418
Medicare	8,571,829	6,447,073
Medicaid	4,110,509	3,226,618
Patients, including self-insured	884,041	393,368
Other	1,155,122	1,502,744
Medicaid Enhanced Payment Program and Low Income Pool Program	56,019,786	14,051,135
	$ 94,825,644	$ 45,301,356

The activity relating to the estimated allowance for uncollectible accounts for the years ended June 30, 2021 and 2020, is summarized as follows:

	2021	2020
Beginning balance	$ 4,614,838	$ 4,817,125
Provision	21,885,757	20,794,004
Charge-offs	(20,088,468)	(20,996,291)
Ending balance	$ 6,412,127	$ 4,614,838

FCPA's estimated allowance for uncollectible accounts increased from the year ended June 30, 2020 to the year ended June 30, 2021 primarily related to increased patient visits. 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, 2021.

The FCPA provided uncompensated care with gross charges of approximately $108,518,000 and $106,250,000 in 2021 and 2020, respectively. Included in the uncompensated care amounts are approximately $21,831,000 and $22,614,000 in charges foregone identified as charity care, in accordance with the FCPA's charity care policy, in 2021 and 2020, respectively. The estimated direct and indirect cost of providing these services totaled approximately $6,254,000 and $6,676,000 in 2021 and 2020, 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:

	Balance at June 30, 2020	***Additions***	***Retirements***	***Transfers***	***Balance at June 30, 2021***
Capital assets:					
Building	$ 70,248,920	$ -	$ -	$ -	$ 70,248,920
Land	1,648,523	-	-	-	1,648,523
Leasehold improvements	22,690,153	1,218,996	72,545	-	23,836,604
Furniture, equipment and computers	30,352,413	470,834	1,264,576	76,477	29,635,148
Intangible asset	750,000	-	-	-	750,000
Total capital assets	125,690,009	1,689,830	1,337,121	76,477	126,119,195
Accumulated depreciation and amortization:					
Building	9,386,752	1,872,625	-	-	11,259,377
Leasehold improvements	3,556,843	1,101,369	72,545	-	4,585,667
Furniture, equipment and computers	20,331,241	2,988,373	1,226,042	-	22,093,572
Intangible asset	750,000	-	-	-	750,000
Total accumulated depreciation and amortization	34,024,836	5,962,367	1,298,587	-	38,688,616
	91,665,173	(4,272,537)	38,534	76,477	87,430,579
Capital assets in progress	150,862	8,452	82,837	(76,477)	-
Total capital assets, net	$ 91,816,035	$ (4,264,085)	$ 121,371	$ -	$ 87,430,579

	Balance at June 30, 2019	***Additions***	***Retirements***	***Transfers***	***Balance at June 30, 2020***
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

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
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

There were no capital assets in progress as of June 30, 2021.

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, 2021 and 2020.

NOTE F--LONG-TERM DEBT

Activity in long-term debt for the years ended June 30, 2021 and 2020 are as follows:

	Balance at June 30, 2020	Issuances	Retirements	Balance at June 30, 2021	Amounts Due Within One Year
Direct borrowings:					
2013 Notes Payable	$ 5,769,907	$ -	$ (336,111)	$ 5,433,796	$ 336,111
Health Facilities Revenue Bonds, Series 2012	20,530,613	-	(1,306,122)	19,224,491	1,306,123
Health Facilities Revenue Bond, Series 2017	31,052,506	-	(1,010,950)	30,041,556	1,036,592
Health Facilities Revenue Bond, Series 2019	30,000,000	-	(1,195,000)	28,805,000	1,230,000
Total Long-Term Debt	$ 87,353,026	$ -	$ (3,848,183)	$ 83,504,843	$ 3,908,826

	Balance at June 30, 2019	Issuances	Retirements	Balance at June 30, 2020	Amounts Due Within One Year
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
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

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 1.19% and 1.27% at June 30, 2021 and 2020, 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 began 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, was forgiven as part of a tax credit program during 2020.

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 0.89% and 0.95% at June 30, 2021 and 2020, respectively.

During 2017, the Authority issued a tax-exempt Health Facility Revenue Bond (the Series 2017 Bond) not to exceed $33,000,000 and loaned 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 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 0.83% and 0.90% at June 30, 2021 and 2020, 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 and 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 0.73% and 0.79% at June 30, 2021 and 2020, 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.

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 in compliance with these restrictive covenants at June 30, 2021. 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.

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 2021, are as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2022	$ 3,908,826	$ 694,109	$ 4,602,935
2023	8,733,692	610,773	9,344,465
2024	3,700,966	570,752	4,271,718
2025	3,768,610	539,423	4,308,033
2026	3,835,954	508,099	4,344,053
2027 - 2031	20,280,751	2,051,684	22,332,435
2032 - 2036	21,944,969	1,181,209	23,126,178
2037 - 2041	13,866,284	413,018	14,279,302
2042 - 2043	3,464,791	38,642	3,503,433
	$ 83,504,843	$ 6,607,709	$ 90,112,552

NOTE G--CAPITAL LEASE OBLIGATIONS

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

	Balance at June 30, 2020	*Additions*	*Reductions*	*Balance at June 30, 2021*	*Amount Due Within One Year*
Capital lease obligations	$ 213,856	$ 183,412	$ 164,534	$ 232,734	$ 115,074

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

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

Year Ending June 30,	
2022	$ 119,337
2023	33,543
2024	33,543
2025	33,543
2026	18,120
Total minimum lease payments	238,086
Less amount representing interest (rates range from 0.46% to 16.81%)	(5,352)
Present value of net future minimum lease payments	232,734
Less current portion	(115,074)
Present value of future minimum lease payments - long-term	$ 117,660

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, 2021, are as follows:

Year Ending June 30,		
2022	$	7,044,685
2023		5,024,199
2024		4,765,648
2025		4,510,347
2026		3,628,770
2027-2031		12,225,873
2032-2036		10,206,499
2037-2041		6,012,078
2042-2046		3,277,001
2047-2051		3,618,074
2052-2056		767,605
Total minimum payments required	$	61,080,779

The FCPA recognized approximately $6,445,000 and $5,609,000 in lease expense for the years ended June 30, 2021 and 2020, respectively.

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 $19,224,491 and $20,530,613 at June 30, 2021 and 2020, 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 $5,433,796 and $5,769,907 at June

30, 2021 and 2020. 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 $30,041,556 and $31,052,506 at June 30, 2021 and 2020, 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 $28,805,000 and $30,000,000 at June 30, 2021 and 2020, respectively. 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 $3,760,582 and $6,643,650 at June 30, 2021 and 2020, 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, 2021 and 2020.

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.

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, 2022.

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 $90,226,000 and $92,973,000, for the years ended June 30, 2021 and 2020, 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 2021 and 2020, the FCPA received approximately \$119,186,000 and \$111,969,000, respectively, from Shands relating to the reimbursement of expenses and contractual services provided by the College of Medicine on behalf of Shands and Affiliates. 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 \$500,000 of unearned revenue from Shands as of June 30, 2021 and no unearned revenue as of June 30, 2020.

Also, during fiscal years 2021 and 2020, the FCPA incurred approximately \$156,320,000 and \$144,785,000, respectively, per year in contractual services expense under various contracts with Shands and Affiliates. Accounts payable and accrued expenses as of June 30, 2021 and 2020, includes a payable to Shands and Affiliates for certain benefit expenses relating to Shands employees associated with these contractual services.

Other amounts included in due from affiliates at June 30, 2021 and 2020 are due primarily from Shands and Affiliates for numerous different departmental professional services and support furnished under agreements with Shands and Affiliates.

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.

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.

Third-Party Advanced Payments: During 2020, as part of the response to the COVID-19 pandemic and in conjunction with the Coronavirus Aid, Relief and Economic Security (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 were eligible to request up to 100% of Medicare payment amounts for a three-month period. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment is to begin one year from the issuance date of each provider or supplier's accelerated or advance payment. After that first year, CMS will automatically recoup 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. The FCPA received $14,589,724 of advanced payments during the year ended June 30, 2020. CMS has recouped $3,153,216 of advanced payments as of June 30, 2021. Remaining funds received of $11,436,508 are reflected as a current liability as of June 30, 2021.

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.

- *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, 2021 and 2020, 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, 2021:

	Carrying Value	*Quoted Prices in Active Markets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Assets:				
Investments in TD Wealth Sweep Program	$ 15,711,060	$ -	$ 15,711,060	$ -
Investments in Commercial Bonds and Notes	1,048,600	-	1,048,600	-
Investments in Stock Mutual Fund	10,125,580	-	10,125,580	-
Investments in Bond Mutual Fund	4,264,730	-	4,264,730	-
	$ 31,149,970	$ -	$ 31,149,970	$ -
Liabilities:				
Interest rate swap agreements, net	$ 3,760,582	$ -	$ -	$ 3,760,582

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

	Carrying Value	*Quoted Prices in Active Markets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
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	-
	$ 28,488,337	$ -	$ 28,488,337	$ -
Liabilities:				
Interest rate swap agreements, net	$ 6,643,650	$ -	$ -	$ 6,643,650

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--CORONAVIRUS DISEASE 2019 (COVID-19) IMPACT

In March 2020, the outbreak of COVID-19 was declared a public health emergency (PHE) published by the Department of Health and Human Services (HHS) and declared a national pandemic by the World Health Organization. The COVID-19 PHE and pandemic has severely restricted the level of economic activity around the world and caused significant volatility in financial markets. The healthcare industry has been impacted due to general decreases in non-emergency patient volumes, cancellations and delays of elective medical procedures, and rising costs associated with obtaining personal protective equipment and other medical supplies, among other factors.

Government support, including the CARES Act, provided essential funding to hospitals and other healthcare entities. For the years ended June 30, 2021 and 2020, FCPA received $23,835,844 and $11,490,094, respectively of CARES Act Provider Relief funding in both general and targeted distributions to prevent, prepare for and respond to coronavirus. The FCPA recognized $11,490,094 as revenue as of June 30, 2020 to offset estimated lost revenue and COVID-19 related expenses incurred based on the reporting guidelines published by HHS. The remaining amount has been recorded as deferred revenue and included in other current liabilities in the accompanying financial statements until expended for the intended purposes or repaid. HHS has revised reporting requirements numerous times on how providers should determine lost revenue and COVID-19 related expenses for reporting purposes. The reporting guidelines are subject to further changes and interpretations. The future impact on operations and the financial statements cannot be reasonably predicted or estimated at this time.

The CARES Act also provides for claims reimbursements to eligible health care providers for conducting COVID-19 testing for the uninsured, treating uninsured individuals with COVID-19 diagnosis, and administering authorized or licensed COVID-19 vaccines to uninsured individuals. For the year ended June 30, 2021, FCPA received $588,547 of CARES Act COVID-19 Uninsured funding. The entire amount has been recorded as revenue in the accompanying financial statements.

The ultimate impact of COVID-19 on the financial position of FCPA is uncertain, and the status of future government funding is unknown at this time.

NOTE O--SUBSEQUENT EVENTS

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, 2021 financial statements except as noted in Note 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

	Year Ended June 30,	
	2021	***2020***
REVENUE	**$ -**	$ -
EXPENDITURES:		
Salaries and benefits	**518,425,583**	447,783,227
Contractual services	**21,396,953**	12,931,837
Insurance	**18,984**	13,084
Electronic data processing charges	**4,925,509**	5,484,185
Operating supplies	**12,616,177**	5,773,772
Occupancy expenses	**469,313**	534,667
Printing and reproduction	**409,359**	474,584
Dues and subscriptions	**1,764,241**	1,991,475
Food and entertainment	**129,635**	1,654,432
Repairs and maintenance	**1,997,394**	1,750,462
Travel	**394,468**	3,218,359
Advertising	**274,500**	344,063
Telephone, freight and postage	**1,443,272**	1,577,714
University overhead	**12,185,241**	11,573,364
Other	**5,305,826**	5,129,654
Total expenditures	**581,756,455**	500,234,879
EXPENDITURES IN EXCESS OF REVENUE BEFORE TRANSFERS	**(581,756,455)**	(500,234,879)
TRANSFERS:		
From Florida Clinical Practice Association, Inc.	**571,890,171**	514,388,106
Transfers to others	**(3,542,231)**	-
Total transfers	**568,347,940**	514,388,106
EXCESS (DEFICIT) OF REVENUE AND TRANSFERS OVER EXPENDITURES	**(13,408,515)**	14,153,227
NET POSITION (DEFICIENCY), BEGINNING OF YEAR	**71,969**	(14,081,258)
NET POSITION (DEFICIENCY), END OF YEAR	**$ (13,336,546)**	$ 71,969

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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, 2021, and the related notes to the financial statements, which collectively comprise the FCPA's basic financial statements, and have issued our report thereon dated October 4, 2021.

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
October 4, 2021