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## Financial Statements (and Other Information)

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

*Years Ended June 30, 2021 and 2020*

# FACULTY CLINIC, INC.

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the business-type activities of Faculty Clinic, Inc. (the Clinic) (a component unit of the University of Florida), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Faculty Clinic, Inc., as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

*Required Supplementary Information:* Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of the Clinic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinic's internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida  
September 23, 2021

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

## FACULTY CLINIC, INC.

### *Management's Discussion and Analysis*

This discussion and analysis of the Faculty Clinic, Inc.'s (the Clinic) financial statements is intended to provide an overview of its financial results for the year ended June 30, 2021. This section, along with the financial statements and related footnotes, has been prepared by, and is the responsibility of, management. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

The Clinic was restructured in 1995 to operate primarily as a facilities management company and lease space to University of Florida Jacksonville Physicians, Inc. (UFJP) and Shands Jacksonville Medical Center, Inc. (Shands Jacksonville). The Clinic has no direct employees. All staffing is provided to the Clinic by UFJP on a contract basis.

### OVERVIEW

The Clinic's net position increased by \$291,952 for fiscal year 2021 as compared to an increase of \$40,696 in the prior fiscal year. The structure of the Clinic is such that its purpose is to maintain the building and equipment and collect sufficient rent to cover operating expenses. Previously there was a need to fund the debt service on the bonds outstanding from the Series 1989 bond issue. As the bond issue was paid in full and retired as of July 1, 2019 there is no longer a need to fund the debt service.

Total assets increased by \$309,227 or 17.2%. Current assets increased by \$227,586 during the fiscal year, while net capital assets increased by \$81,641. Total liabilities increased by \$17,275 or 8.2%. These changes will be explained in detail later in this discussion.

### FINANCIAL ANALYSIS

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

### CONDENSED STATEMENTS OF NET POSITION

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,166,225	\$ 923,872	\$ 242,353	26.2%
Prepaid expenses and other current assets	7,380	22,147	(14,767)	-66.7%
TOTAL CURRENT ASSETS	1,173,605	946,019	227,586	24.1%
CAPITAL ASSETS, NET	938,125	856,484	81,641	9.5%
TOTAL ASSETS	\$ 2,111,730	\$ 1,802,503	\$ 309,227	17.2%

## FACULTY CLINIC, INC.

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

Total assets as of June 30, 2021 were \$2,111,730 compared to \$1,802,503 at June 30, 2020. Cash and cash equivalents of \$1,166,225 as of June 30, 2021 were \$242,353 higher than at June 30, 2020. This was due to the final bond payment being paid on July 1, 2019 and the clinic now able to accumulate cash from the lease payments for future use. Prepaid expenses and other current assets had a decrease of \$14,767. Both prepaid maintenance and prepaid insurance were significantly lower than prior year.

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
CAPITAL ASSETS, NET				
Building	\$ 725,669	\$ 776,718	\$ (51,049)	-6.6%
Equipment	45,662	56,926	(11,264)	-19.8%
Construction in progress	166,794	22,840	143,954	630.3%
CAPITALIZED ASSETS, NET	\$ 938,125	\$ 856,484	\$ 81,641	9.5%

The Clinic's investment in capital assets, net of depreciation, is \$938,125 at June 30, 2021, an increase from that at June 30, 2020 of \$81,641 or 9.5%. Additional building components and equipment purchased during the year, before accumulated depreciation and net of current year retirements, were \$222,488. The most significant additions during the year were the replacement of an elevator for \$45,679 and a new VSG power unit for \$28,005. Construction in progress includes \$166,794 for the replacement of one of the elevators that was underway at year's end. Accumulated depreciation on the building and equipment at the end of 2021 was \$13,737,737, or \$140,847 greater than last year. As of June 30, 2020, the original building construction costs placed in service in 1990 were fully depreciated.

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 133,682	\$ 74,227	\$ 59,455	80.1%
Accrued contract labor	28,548	21,947	6,601	30.1%
Due to related parties	64,939	113,720	(48,781)	-42.9%
TOTAL CURRENT LIABILITIES	227,169	209,894	17,275	8.2%
TOTAL LIABILITIES	\$ 227,169	\$ 209,894	\$ 17,275	8.2%

Overall, current liabilities increased by \$17,275, or 8.2%, to \$227,169. Accounts payable and accrued expenses at June 30, 2021 increased by \$59,455 from June 30, 2020, due to the timing of payments made, as well as a deferred revenue item of \$44,386. Accrued contract labor increased by \$6,601 at June 30, 2021, while amounts due to related parties had a decrease of \$48,781 at year end due to improved timing of payments from the Clinic to UFJP for items owed. See Note F to the financial statements.

# FACULTY CLINIC, INC.

## Management's Discussion and Analysis - Continued

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

	Year Ended June 30,		Increase	Percent
	2021	2020	(Decrease)	Change
REVENUE:				
Rental income	\$ 1,195,348	\$ 1,095,736	\$ 99,612	9.1%
State operating and maintenance (O&M) funding	329,498	336,222	(6,724)	-2.0%
TOTAL REVENUE	1,524,846	1,431,958	92,888	6.5%
EXPENSES:				
Contract labor	314,753	325,365	(10,612)	-3.3%
Fees	122,562	95,835	26,727	27.9%
Depreciation and amortization	140,847	428,040	(287,193)	-67.1%
Other operating expenses	656,245	567,843	88,402	15.6%
TOTAL OPERATING EXPENSES	1,234,407	1,417,083	(182,676)	-12.9%
INCOME FROM OPERATIONS	290,439	14,875	275,564	1852.5%
NET NONOPERATING REVENUE	1,513	25,821	(24,308)	-94.1%
INCREASE IN NET POSITION	\$ 291,952	\$ 40,696	\$ 251,256	617.4%

*Revenue:* Revenue is generated from lease payments for clinical and office space from UFJP and Shands Jacksonville and also consists of operating and maintenance (O&M) funding granted by the State Legislature for the space occupied by University of Florida functions. Rental income of \$1,195,348 increased by \$99,612 from fiscal year 2020. In June 2020 the Board of Directors of the Clinic approved the abatement of the June 2020 lease payments for both UFJP and Shands Jacksonville, thus reducing the overall rental income for fiscal year 2020. State O&M funding fell by 2.0% or \$6,724 from the prior fiscal year due to funding cuts. This funding from the state of Florida flows through the University of Florida.

*Operating Expenses:* Operating expenses totaled \$1,234,407 for fiscal year 2021, down by \$182,676 or 12.9% from the prior year. The largest factor for the decrease was a significant reduction in depreciation and amortization. As of June 30, 2020 the original building construction costs placed in service in 1990 were fully depreciated. This led to a decrease in depreciation expense of \$287,193 so that current year expense was down to \$140,847. Some of these savings were offset by an increase in the other operating expenses category. Other operating expenses is the largest category of operating expense, at over 50% of the total and had a fairly large increase of \$88,402 or 15.6% from prior year. As has been anticipated, repairs and maintenance costs increased by a little over \$97,600 or about 45% from prior year. Approximately \$43,600 was spent for repairs to the hot water heat exchanger while an additional \$16,200 was spent on insulation repairs. Heating, ventilation, and air conditioning (HVAC) repairs continue to be another major source of repair expense. Supply expense grew by just over \$3,700 to \$59,497. Utility expenses decreased again this year, by 2.4% or \$6,500, after dropping by 2.0% in the prior year. The largest contributor to the decrease was water and sewer expense

## FACULTY CLINIC, INC.

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

which was down by \$10,466. Contract labor decreased by 3.3% or \$10,612 from fiscal year 2020 due to a reduction in use of temp agency staff. Fees increased by \$26,727, from \$95,835 to \$122,562. This was the result of \$25,000 paid for Shands Jacksonville's oversight of facilities management.

*Nonoperating Items:* In prior years the main component of nonoperating items has been adjustments to amounts accrued for bond related expenses. With the bonds now fully paid and there being no other debt, the only nonoperating item is interest income. For fiscal year 2021 this was \$1,513 as compared to \$3,206 in fiscal year 2020.

### CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 463,328	\$ 539,749	\$ (76,421)	-14.2%
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(222,488)	(905,323)	682,835	-75.4%
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,513	803,206	(801,693)	-99.8%
NET INCREASE IN CASH AND CASH EQUIVALENTS	242,353	437,632	(195,279)	-44.6%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	923,872	486,240	437,632	90.0%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,166,225	\$ 923,872	\$ 242,353	26.2%

Overall, there was a \$242,353 increase in the cash balance from fiscal year 2020 to fiscal year 2021, with an ending cash balance of \$1,166,225.

*Cash Flow From Operating Activities:* Cash provided by operating activities dropped from \$539,749 to \$463,328, a decrease of \$76,421 or 14.2%. Receipts from rentals increased by \$99,612 from fiscal year 2020 to \$1,195,348 while receipts of contributions from State O&M funding fell by \$6,724 to \$329,498. The increase in the receipts from rentals was due to the abatement of the June 2020 lease obligations as was previously mentioned, which reduced cash receipts in fiscal year 2020. Payments to suppliers and for operating expenses increased by 32.1% or \$183,007 in 2021 to \$753,366 while payments related to contract labor had a \$13,698 decrease to a total of \$308,152. Over 50% of the increase in payments to suppliers and for operating expenses was due to the increase in maintenance and repair costs.

*Cash Flows From Capital and Related Financing Activities:* The net cash used in capital and financing activities was only \$222,488 for fiscal year 2021 as compared to \$905,323 in fiscal

## FACULTY CLINIC, INC.

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

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year 2020. Included in the 2020 amount was the final \$800,000 bond payment. The entire 2021 amount represents cash used for building improvements and equipment purchases, an increase of \$94,550 over the \$127,938 used in fiscal year 2020. The detail of capital purchases was previously explained in the Capital Asset section of this discussion.

*Cash Flows From Investing Activities:* The net cash provided by investing activities was \$1,513 in fiscal year 2021 representing only interest earned on the cash accounts. The amount of \$803,206 in fiscal year 2020 included a reclassification of \$800,000 from assets limited as to use, subsequently used for the final bond payment.

## ECONOMIC OUTLOOK

As a facilities management company, the Clinic will continue to have key challenges in the coming years related to utility costs and increasing repair and maintenance costs on the building and equipment due to aging. In light of the ongoing coronavirus disease 2019 pandemic, the Clinic will need to continue to have enhanced cleaning services and supplies.

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

The Clinic will continue to face pressure from rising costs of facility and maintenance expenses due to the age of the building. Steps have been taken over the past several years for the Clinic to be more energy efficient. Electric expense increased by just under 1.0% from fiscal year 2020 after having a small 2% decrease in fiscal 2020 from fiscal year 2019. While efforts will be ongoing to improve efficiency, it is anticipated that electric costs will continue to increase. Water and sewer expense also decreased by over \$10,000, or just over 20%. Based on recent history, repairs to the HVAC systems will continue to be a major need of the Clinic. Capital items budgeted for fiscal year 2022 total \$401,000 and include the completion of the elevator replacement already in progress (\$50,000), purchase of a new air control compressor (\$14,500) and a new fire alarm panel and system (\$336,500). In future years, there will be a need to upgrade additional elevators in the building as well as replace the HVAC digital control for one of the floors. Lease rates are projected to remain flat for fiscal year 2022. As the bonds have now been paid off, changes in lease rates for future years will be driven mainly by facility operating and maintenance costs.

## CONTACTING THE CLINIC

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

## **Financial Statements**

**FACULTY CLINIC, INC.**

***Statements of Net Position***

	<i>June 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,166,225	\$ 923,872
Prepaid expenses and other current assets	7,380	22,147
<b>TOTAL CURRENT ASSETS</b>	<b>1,173,605</b>	<b>946,019</b>
<b>CAPITAL ASSETS:</b>		
Building and improvements	10,638,233	10,559,699
Equipment	3,870,835	3,870,835
Construction in progress	166,794	22,840
<b>TOTAL CAPITAL ASSETS</b>	<b>14,675,862</b>	<b>14,453,374</b>
Less: accumulated depreciation and amortization	(13,737,737)	(13,596,890)
<b>TOTAL CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION</b>	<b>938,125</b>	<b>856,484</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,111,730</b>	<b>\$ 1,802,503</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 133,682	\$ 74,227
Accrued contract labor	28,548	21,947
Due to University of Florida Jacksonville Physicians, Inc.	63,005	112,520
Due to Shands Jacksonville Medical Center, Inc.	1,934	1,200
<b>TOTAL CURRENT LIABILITIES</b>	<b>227,169</b>	<b>209,894</b>
<b>TOTAL LIABILITIES</b>	<b>227,169</b>	<b>209,894</b>
<b>COMMITMENTS AND CONTINGENCIES - Note H</b>		
<b>NET POSITION:</b>		
Net investment in capital assets	938,125	856,484
Unrestricted	946,436	736,125
<b>TOTAL NET POSITION</b>	<b>1,884,561</b>	<b>1,592,609</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,111,730</b>	<b>\$ 1,802,503</b>

**FACULTY CLINIC, INC.**

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

	<i>Year Ended June 30,</i>	
	<i>2021</i>	<i>2020</i>
REVENUE:		
Rental income	\$ 1,195,348	\$ 1,095,736
State operating and maintenance funding	329,498	336,222
TOTAL REVENUE	1,524,846	1,431,958
EXPENSES:		
Contract labor	314,753	325,365
Fees	122,562	95,835
Depreciation and amortization	140,847	428,040
Insurance, repairs and maintenance	323,433	230,881
Supplies	59,497	55,776
Utilities and other	273,315	281,186
TOTAL EXPENSES	1,234,407	1,417,083
OPERATING INCOME	290,439	14,875
NONOPERATING REVENUE:		
Interest income	1,513	3,206
Interest and related financing	-	22,615
NET NONOPERATING REVENUE	1,513	25,821
INCREASE IN NET POSITION	291,952	40,696
NET POSITION, BEGINNING OF YEAR	1,592,609	1,551,913
NET POSITION, END OF YEAR	\$ 1,884,561	\$ 1,592,609

# FACULTY CLINIC, INC.

## *Statements of Cash Flows*

	<i>Year Ended June 30,</i>	
	<i>2021</i>	<i>2020</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from rentals	\$ 1,195,348	\$ 1,095,736
Receipt of contributions from State operating and maintenance funding	329,498	336,222
Payments to suppliers and for operating expenses	(753,366)	(570,359)
Payments related to contract labor	(308,152)	(321,850)
NET CASH PROVIDED BY OPERATING ACTIVITIES	463,328	539,749
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(222,488)	(127,938)
Principal payments on long-term debt	-	(800,000)
Interest and related financing costs	-	22,615
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(222,488)	(905,323)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	1,513	3,206
Cash transferred from (to) assets limited as to use	-	800,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,513	803,206
NET INCREASE IN CASH AND CASH EQUIVALENTS	242,353	437,632
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	923,872	486,240
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,166,225	\$ 923,872

**FACULTY CLINIC, INC.**

***Statements of Cash Flows - Continued***

	<i>Year Ended June 30,</i>	
	<i>2021</i>	<i>2020</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 290,439	\$ 14,875
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	140,847	428,040
Increase (decrease) in cash due to changes in:		
Prepaid expenses and other current assets	14,767	(4,436)
Accounts payable and accrued expenses	59,455	(27,578)
Accrued contract labor	6,601	3,515
Due to University of Florida Jacksonville Physicians, Inc.	(49,515)	79,747
Due from Shands Jacksonville Medical Center, Inc.	734	45,586
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 463,328	\$ 539,749

## FACULTY CLINIC, INC.

### *Notes to Financial Statements*

#### *Years Ended June 30, 2021 and 2020*

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#### NOTE A--REPORTING ENTITY

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

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

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

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

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

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

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

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

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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

*Net Position:* Net position of the Clinic is classified in components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted* is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Clinic. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. The Clinic had no restricted net position at June 30, 2021.

*Operating Revenue and Expenses:* The Clinic's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with the rental of Clinic space, the Clinic's principal activity, and state operating and maintenance funding. Other revenue, including interest income, is reported as nonoperating revenue. Operating expenses are all expenses incurred other than financing costs and other nonoperating gains/losses.

*Income Taxes:* The Clinic is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. The Internal Revenue Code provides for taxation of certain unrelated business income. The Clinic has no taxable unrelated business income. Accordingly, no provision for income taxes has been included in the accompanying financial statements. There were no uncertain tax positions. Tax returns for the years ended June 30, 2017 through 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. Future results could differ from those estimates.

*Recently Issued/Adopted Accounting Pronouncements:* In June 2017, the GASB issued Statement No. 87, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases with a maximum possible term exceeding 12 months. The lease liability is measured at the present value of payments made during the lease term. In later periods, the lessee should amortize the discount of the lease liability and report it as an outflow of resources (interest expense) for the period. The lease asset is measured as the sum of the amount of the initial measurement of the lease liability, lease payments made to the lessor

## FACULTY CLINIC, INC.

### Notes to Financial Statements - Continued

#### Years Ended June 30, 2021 and 2020

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.

#### NOTE C--ASSETS LIMITED AS TO USE

Assets limited as to use consisted of cash funds required to be held in a bond escrow account in an amount equal to the current bond payment. As of June 30, 2020, there were no assets limited as to use due to the final bond payment being paid July 1, 2019.

#### NOTE D--CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2021 is as follows:

	<i>Balance at June 30, 2020</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2021</i>
Capital assets:					
Building and improvements	\$ 10,559,699	\$ 55,694	\$ -	\$ 22,840	\$ 10,638,233
Equipment	3,870,835	-	-	-	3,870,835
Construction in progress	22,840	166,794	-	(22,840)	166,794
Total capital assets	14,453,374	222,488	-	-	14,675,862
Accumulated depreciation:					
Building and improvements	9,782,981	129,583	-	-	9,912,564
Equipment	3,813,909	11,264	-	-	3,825,173
Total accumulated depreciation	13,596,890	140,847	-	-	13,737,737
Capital assets, net	\$ 856,484	\$ 81,641	\$ -	\$ -	\$ 938,125

# FACULTY CLINIC, INC.

## Notes to Financial Statements - Continued

### Years Ended June 30, 2021 and 2020

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

## NOTE E--LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2020, is as follows:

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

On January 31, 1989, the City of Jacksonville, Florida issued \$8,500,000 in variable rate Industrial Development Revenue Bonds Series 1989 (the Bonds) on behalf of the Clinic to finance the construction of a new facility. The Bonds were subject to mandatory sinking fund redemption in varying amounts, on July 1<sup>st</sup> of each year, commencing July 1, 1991 and continuing through 2019.

The Bonds were paid in full on July 1, 2019.

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

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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#### NOTE F--RELATED PARTY TRANSACTIONS

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

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

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

<u>Year Ending June 30,</u>	
2022	\$ 1,189,932
2023	1,189,932
2024	1,189,932
2025	1,189,932
2026	1,189,932
2027-2031	5,354,694
	<u>\$ 11,304,354</u>

The Clinic received all rent owed from UFJP and Shands Jacksonville for fiscal years 2021 and 2020. In June 2020, the Clinic's Board of Directors approved the abatement of that month's required rental payment for both Shands Jacksonville and UFJP.

*University of Florida Jacksonville Physicians, Inc.:* The Clinic owed \$63,005 and \$58,494 to UFJP for insurance, management fees and other expenses at June 30, 2021 and 2020, respectively. At June 30, 2020, UFJP had \$54,026 in prepaid rent, which was being treated as unearned revenue by the Clinic and is included in due to UFJP in the statement of net position.

Additionally, UFJP charged the Clinic a management fee of \$50,004 and \$45,000 for the years ended June 30, 2021 and 2020, respectively, which is included in fees expense in the accompanying statements of revenue, expenses and changes in net position.

The Clinic has no employees. All staffing is provided by UFJP on a contract basis and is recognized as contract labor expense in the statements of revenue, expenses and changes in net position for the years ended June 30, 2021 and 2020.

*Shands Jacksonville:* The Clinic had a net payable to Shands Jacksonville of \$1,934 and \$1,200 for repairs and maintenance expense at June 30, 2021 and 2020.

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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*State O&M Funding:* During 2003, the State approved Operating & Maintenance (O&M) funding for the Clinic. Such funding amounted to \$329,498 and \$336,222 for the years ended June 30, 2021 and 2020. State O&M funding is appropriated for repairs and maintenance expenditures.

#### NOTE G--RETIREMENT PLAN

The Clinic established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code in December 1987 for eligible employees. There were no contributions to this plan in 2021 and 2020. The current staff are all employees of UFJP and are leased to the Clinic. These employees participate in the UFJP defined contribution plan. Retirement contributions for these employees were \$6,395 and \$6,045 for the years ended June 30, 2021 and 2020, respectively.

#### NOTE H--COMMITMENTS AND CONTINGENCIES

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

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

The Clinic ceased providing medical care and treatment January 1, 1995; however, the Clinic continues to maintain professional liability protection on an occurrence basis from the University of Florida J. Hillis Miller Health Center/Jacksonville Self-Insurance Program, a self-insurance program created and administered by the Florida Board of Governors pursuant to Section 1004.24, Florida Statutes. There are no professional medical malpractice claims currently pending against the Clinic, and none can be reasonably anticipated given Florida's two-year statute of limitations and four-year statute of repose (s. 95.11, Florida Statutes) for such claims. Professional liability protection is obtained by the Clinic primarily to provide for the defense costs necessarily incurred to respond to and defend any unsupported allegations and litigation filed against the Clinic.

*Concentration of Credit Risk:* Certain financial instruments potentially subject the Clinic to concentrations of credit risk. The Clinic maintains its cash and cash equivalents with what it

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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believes to be high quality financial institutions and thus limits its credit exposure. The cash maintained in these institutions may from time to time exceed federally insured limits; however, management believes the credit risk to be minimal.

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

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

#### NOTE J--NATIONAL PANDEMIC

In March 2020, the outbreak of the coronavirus 2019 (COVID-19) was declared a public health emergency (PHE). The COVID-19, PHE has severely restricted economic activity and resulted in volatility in financial markets. The healthcare industry has been impacted due to a general decrease in non-emergent patient volumes, cancellations, and delays of elective medical procedures, as well as COVID-19 related expenses. The Clinic continues to monitor this volatility and the ultimate outcome of the pandemic on the Clinic is unknown.

#### NOTE K--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 discussed in Note J.

## **Other Information**

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Faculty Clinic, Inc. (the Clinic) (a component unit of the University of Florida), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements, and have issued our report thereon dated September 23, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Clinic's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Clinic's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Clinic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

PYA, P.C.

Tampa, Florida  
September 23, 2021