



Financial Statements (and Other Financial Information)

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

Years Ended June 30, 2022 and 2021

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Table of Contents

Years Ended June 30, 2022 and 2021

Independent Auditor’s Report.....1

Management’s Discussion and Analysis4

Financial Statements

Statements of Net Position.....16

Statements of Revenue, Expenses and Changes in Net Position.....18

Statements of Cash Flows.....20

Notes to Financial Statements.....22

Other Financial Information

Statements of Revenue, Expenditures and Changes in Net Position of Fund 171 -
Transfers from Component Units Fund (HSCFCPA) - Unaudited.....46

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 Report47



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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 years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the FCPA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the FCPA as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FCPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphases of Matters

As discussed in Note B to the consolidated financial statements, effective July 1, 2020, the FCPA adopted new accounting guidance required by GASB Statement No. 87. As a result of the adoption, certain amounts have been restated in accordance with applicable accounting guidance for presenting comparative years.

Responsibilities of Management for the Financial Statements

The FCPA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management’s discussion and analysis* on pages 4 through 15 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 (GASB) 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 Financial Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the FCPA’s basic financial statements. The Statements of Revenue, Expenditures and Changes in Net Position of Fund 171 – Transfers from Component Units Fund (HSCFCPA) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022 on our consideration of the FCPA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FCPA’s internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida
September 26, 2022

Management's Discussion and Analysis

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

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, 2022. 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

Fiscal year 2022 for the FCPA can be viewed as a full reset year since the onset of the coronavirus disease 2019 (COVID-19) pandemic. Following the significant revenue challenges in fiscal year 2020 and the extraordinary recovery in fiscal year 2021, operations settled into a more routine trend in fiscal year 2022. The increasing patient revenue trend jump-started in fiscal year 2021 continued as visits and WRVUs increased over the prior year. Revenue overall grew over the prior year although community COVID surges during the summer and fall of 2021, resulted in cancellation of non-essential procedures and revenue losses in some departments. The COVID expenditure restrictions lifted during the third quarter of 2021 resulted in significant increases in expenditures especially travel, food and dues and subscriptions. These expenses are still at or below fiscal 2019 levels and are expected to grow in 2023. In recognition of the increased WRVU's generated by providers, UF Health leadership reinstated and funded the faculty incentives earned in fiscal year 2021 and is expected to pay out incentives earned in 2022.

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. Fiscal year 2022 saw additional growth in the Regional Network, adding to the significant expansion from fiscal year 2021. The growth in fiscal year 2022 was mostly driven by the additional specialties added to the programs at Halifax Health - UF Health Medical Center of Deltona and Halifax Health of Daytona.

The FCPA implemented the provisions of the new Governmental Accounting Standards Board (GASB) standard on lease accounting in fiscal year 2022 which caused the FCPA's financial statements to change significantly. UF Health Physicians (UFP) leases a significant amount of space to provide clinical services. These leases qualified as leases under GASB Statement No. 87 and so in accordance with the guidance, the FCPA recorded right-of-use assets and related lease liabilities. This added a significant amount of assets and liabilities to the statements of net position.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

The FCPA also sub-leases space to its affiliate, Shands Hospital, and these leases created lease receivable assets and deferred inflow of resources on the statements of net position. The FCPA opted to restate fiscal year 2021 statements to provide two-year comparative results.

The FCPA's net position increased \$9.4 million or 5.4% during fiscal year 2022. Operating revenue was \$970.4 million and increased \$143.5 million or 17.4% over the prior year. Total operating expense of \$317.4 million increased \$95.2 million or 42.8% when compared to the prior year. Professional fees from direct patient care of \$570.3 million increased \$24.2 million or 4.4% during fiscal year 2022 from the prior year. The increase in direct patient care revenue is primarily the result of an increase in patient visits partly due to growth from Regional Network.

Professional fees from indirect patient care and other revenue of \$400.1 million increased \$119.3 million or 42.5% during fiscal year 2022 compared to the prior year. The increase was primarily due to additional revenue from regional programs and an increase in support revenue from Shands of \$92.8 million.

Investment loss of \$.1 million decreased \$3.1 million or 103.4% from investment income of \$3 million in the prior year. The loss was primarily due to a decrease in the fair market value of the FCPA's investment portfolio following the market volatility during the fourth quarter of fiscal year 2022. Last year, favorable market conditions yielded a fair market value gain of \$2.2 million compared to a loss this year of \$1.2 million. The fair market value decrease was mitigated by increased dividend revenue on the FCPA's equity investments of \$.3 million.

Interest expense for long-term debt and lease liabilities in the 2022 fiscal year was \$3.7 million. This was a \$0.1 million decrease from the prior year.

Transfers increased \$76.6 million or 13.2% to \$655 million during the 2022 fiscal year. Approximately \$20.1 million or 3.5% was due to growth in the Regional Network initiative which started during the second half of fiscal year 2021. Payroll expense funding made up \$19.1 million of this increase. In addition, payroll funding needs (excluding Regional Programs) increased \$32.7 million or 7.67%, of which \$25.2 million was in faculty salaries and benefits. The increase in faculty salaries and benefits was due in part to the 3% University raise implemented effective July 1, 2021. In addition, equity and market adjustments were made to retain employees due to labor market pressures. Staff salaries & benefits increased \$2.3 million or 3.45% mostly due to the 3% University raises. Funding to cover Other Personnel Services (OPS) earnings increased by \$4.2 million or 14.38%. In addition to the UF raises, OPS payroll costs went up due to an increase in additional pay in some clinical departments. These payments were particularly necessary due to COVID surges which was further compounded by staffing shortages. This was noticeable in the Department of Medicine's Hospitalist Program and Pulmonary Medicine. The Fringe Benefit Pool rates increased in most of the pools, further driving up the payroll costs. Transfers to cover non-salary expenses increased by approximately \$11.5 million or 22.6%, as expenses increased to pre-pandemic levels. The increased expenses were reflected in almost all expense categories, but the most notable increases were in contractual services, food & entertainment, travel, dues & subscription, repairs & maintenance, and data processing. Contractual services was also

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

significantly impacted by payments to CRNA locums which were made at a premium. This was necessary to support normal operating levels and the additional staffing needs created by COVID surges in the summer and fall. The College of Medicine transferred approximately \$10.6 million, from FCPA to other University funds as additional support for education and research. This includes \$3.8 million for renovation of space.

The overall financial health of the FCPA remains stable. The FCPA's net position increased by \$9.4 million or 5.4% to \$183.1 million. Current assets of \$209.9 million are more than sufficient to cover current liabilities of \$51.2 million. The FCPA has \$70.9 million in long-term debt and long-term lease liabilities of \$91.6 million less current portions at June 30, 2022.

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 GASB. 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 current year revenues and expenses are taken into account regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Table 1 - Condensed Statements of Assets

	<i>2022</i>	<i>2021</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>	<i>Percentage of 2022 Total</i>
ASSETS					
Cash and cash equivalents	\$ 52,029,663	\$ 50,597,651	\$ 1,432,012	2.83%	12.74%
Patient accounts receivable, net	95,798,094	94,825,644	972,450	1.03%	23.45%
Other current assets (excluding short term investments)	31,543,509	47,177,159	(15,633,650)	-33.14%	7.72%
Investments - long term and short term	48,706,337	49,615,150	(908,813)	-1.83%	11.92%
Property and equipment, net	82,640,856	87,202,582	(4,561,726)	-5.23%	20.23%
Right-of-use assets, net	95,614,647	97,445,891	(1,831,244)	-1.88%	23.40%
Facilities entitlements, net	411,505	852,613	(441,108)	-51.74%	0.10%
Lease receivable	617,683	606,975	10,708	1.76%	0.15%
Other assets	1,190,861	45,484	1,145,377	2518.20%	0.29%
TOTAL ASSETS	<u>\$ 408,553,155</u>	<u>\$ 428,369,149</u>	<u>\$ (19,815,994)</u>	<u>-4.63%</u>	<u>100.00%</u>

At June 30, 2022, total assets for the FCPA were \$408.6 million, a decrease of \$19.8 million or 4.6% from the prior year.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

Table 2 - Patient Accounts Receivable, Net

	2022	2021	<i>Increase (Decrease)</i>	<i>Percent Change</i>
Beginning accounts receivable	\$ 163,235,960	\$ 128,245,493	\$ 34,990,467	27.28%
Net charges	617,030,262	575,874,727	41,155,535	7.15%
Payments	(591,869,772)	(520,852,778)	(71,016,994)	13.63%
Bad debt write off	(48,799,287)	(42,116,798)	(6,682,489)	15.87%
Refunds	34,264,342	22,085,316	12,179,026	55.15%
Accounts receivable	173,861,505	163,235,960	10,625,545	6.51%
Reserve for contractual adjustments	(126,487,618)	(118,017,975)	(8,469,643)	7.18%
Reserve for uncollectible accounts	(6,802,052)	(6,412,127)	(389,925)	6.08%
Sub-total accounts receivable, net	40,571,835	38,805,858	1,765,977	4.55%
Medicaid Enhanced Payment and Low Income Pool Programs	55,226,259	56,019,786	(793,527)	-1.42%
Total accounts receivable, net	\$ 95,798,094	\$ 94,825,644	\$ 972,450	1.03%

The FCPA's most significant asset was net patient accounts receivable. Net patient accounts receivable was \$95.8 million or 23.5% of total assets at June 30, 2022. Net patient accounts receivable increased by \$1 million or 1% from the prior year.

Table 3 - Right-of-use Assets, Net

	2022	2021	<i>Increase (Decrease)</i>	<i>Percent Change</i>	<i>Percentage of 2022 Total</i>
Right-of-use - non-affiliate	\$ 62,032,422	\$ 64,249,437	\$ (2,217,015)	-3.45%	64.88%
Right-of-use - affiliate	32,405,379	32,823,851	(418,472)	-1.27%	33.89%
Right-of-use - equipment	1,176,846	372,603	804,243	215.84%	1.23%
TOTAL LEASE ASSETS, NET	\$ 95,614,647	\$ 97,445,891	\$ (1,831,244)	-1.88%	100.00%

The FCPA's second most significant asset was right-of-use assets, net. Right-of-use assets, net was \$95.6 million or 23.4% of total assets at June 30, 2022.

At June 30, 2022, the FCPA had \$95.6 million right-of-use assets, net of accumulated amortization of \$12.6 million. The amount represents a net decrease (including additions and deductions) of approximately \$1.8 million or 1.9% compared to last year. The decrease was primarily the result of current year amortization of \$6.5 million which was higher than additions of \$4.7 million.

The FCPA's third most significant asset was property and equipment, net. Property and equipment, net was \$82.6 million or 20.2% of total assets at June 30, 2022. Property and equipment, net decreased by \$4.6 million or 5.2% from the prior year.

At June 30, 2022, the FCPA had \$83.1 million invested in a broad range of capital assets, net of accumulated depreciation and amortization of \$76.5 million, including facilities entitlements. The

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

amount represents a net decrease (including additions and deductions) of approximately \$5 million or 5.7% compared to last year. The decrease was primarily the result of current year depreciation being greater than capital asset additions.

Table 4 - Capital Assets, Net

	<i>2022</i>	<i>2021</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>	<i>Percentage of 2022 Total</i>
Buildings	\$ 57,116,917	\$ 58,989,543	\$ (1,872,626)	-3.17%	68.77%
Land	1,648,523	1,648,523	-	0.00%	1.98%
Leasehold improvements	18,142,755	19,250,938	(1,108,183)	-5.76%	21.84%
Furniture, fixtures and equipment	5,732,661	7,313,578	(1,580,917)	-21.62%	6.90%
Facilities entitlements	411,505	852,613	(441,108)	-51.74%	0.50%
TOTAL CAPITAL ASSETS, NET	\$ 83,052,361	\$ 88,055,195	\$ (5,002,834)	-5.68%	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 2023, the FCPA has approximately \$8.3 million budgeted for capital expenditures that will be used to renovate and equip clinics and fund various additional capital projects and approximately \$6 million approved for clinic improvements at the UF Medical Plaza.

The FCPA's fourth most significant asset was cash and cash equivalents. Cash and cash equivalents were \$52 million or 12.7% of total assets at June 30, 2022. Cash and cash equivalents increased by \$1.4 million or 2.8% from the prior year.

Table 5 - Condensed Statements of Liabilities

	<i>2022</i>	<i>2021</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>	<i>Percentage of 2022 Total</i>
LIABILITIES					
Accounts payable and accrued expenses	\$ 28,117,877	\$ 20,432,672	\$ 7,685,205	37.61%	13.16%
Long-term debt obligations, including current portions	79,596,018	83,504,843	(3,908,825)	-4.68%	37.25%
Lease liabilities including current portion	97,269,759	98,293,455	(1,023,696)	-1.04%	45.52%
Fair Value of Interest Rate Swap	-	3,760,582	(3,760,582)	-100.00%	0.00%
Deferred revenue	8,401,949	23,835,844	(15,433,895)	-64.75%	3.93%
Third-party advanced payments	-	11,436,508	(11,436,508)	-100.00%	0.00%
Unearned revenue	307,728	897,940	(590,212)	-65.73%	0.14%
TOTAL LIABILITIES	\$ 213,693,331	\$ 242,161,844	\$ (28,468,513)	-11.76%	100.00%

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

At June 30, 2022, total liabilities for the FCPA were \$213.7 million. Total liabilities decreased \$28.5 million or 11.8% when compared to the prior year.

The FCPA's most significant liability is its lease liabilities of \$97.3 million or 45.5% of total liabilities at June 30, 2022. Lease liabilities were \$98.3 million in the prior year. Lease liabilities decreased \$1 million. The decrease is the net difference of payment reductions totaling \$5.7 million and additions of \$4.7 million due to new leases in the current fiscal year.

The FCPA's second most significant liability is its long-term debt of \$79.6 million or 37.3% of total liabilities at June 30, 2022. Long-term debt was \$83.5 million in the prior year. The FCPA had a debt to net assets ratio of .43 in fiscal year 2022 and .48 in fiscal year 2021. Long-term debt decreased \$3.9 million. The decrease is due to principal payments.

The FCPA's third most significant liability is its accounts payable and accrued expenses, which is \$28.1 million or 13.2% of total liabilities at June 30, 2022. Accounts payable and accrued expenses increased by \$7.7 million or 37.6%. The increase is mostly due to \$6.0 million of unused Provider Relief Funds, previously deferred, that will be returned to the Department of Health and Human Services. Also, there is a \$1.1 million potential refund of fiscal year 2019 LIP program reconciliation amount.

The FCPA's fourth most significant liability was deferred revenue. Deferred revenue was \$8.4 million at June 30, 2022. This amount is solely due to a provision established on a portion of Provider Relief Funds recognized as Federal Assistance Revenue. The provision was established as a contingency against lost revenue recognized for Phase 3 of the Provider Relief Funds. The FCPA had to utilize the alternate lost revenue methodology which is subject to future approval by the Department of Health and Human Services.

Third-party advanced payments were \$0 and \$11.4 million respectively at June 30, 2022 and June 30, 2021. Third-party advanced payments decreased \$11.4 million or 100% 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 \$11.4 million represents the full recoupment by the third-party of the advance. The recoupment process started in April 2021. Repayments were automatically recouped at 25% of any Medicare payments due to the College.

Net Position: Net position increased by \$9.4 million or 5.4% to \$183.1 million. Current assets of \$209.9 million are more than sufficient to cover current liabilities of \$51.2 million. The FCPA has \$70.9 million in long-term debt less current portion at June 30, 2022.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

Table 6 - Condensed Statements of Revenue and Expenses

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
OPERATING ACTIVITIES:				
Professional fees from direct patient care	\$ 570,311,967	\$ 546,154,433	\$ 24,157,534	4.42%
Professional fees from indirect patient care	212,458,069	187,207,696	25,250,373	13.49%
Other revenue	187,601,102	93,519,822	94,081,280	100.60%
TOTAL OPERATING REVENUE	970,371,138	826,881,951	143,489,187	17.35%
OPERATING EXPENSES:				
Contractual services	267,095,597	174,823,865	92,271,732	52.78%
Other operating expenses	50,288,055	47,402,493	2,885,562	6.09%
TOTAL OPERATING EXPENSES	317,383,652	222,226,358	95,157,294	42.82%
OPERATING INCOME	652,987,486	604,655,593	48,331,893	7.99%
NONOPERATING REVENUE (EXPENSES):				
Investment income	(100,369)	2,968,324	(3,068,693)	-103.38%
Interest expense, net	(1,991,976)	(2,078,657)	86,681	-4.17%
Lease interest expense	(1,728,052)	(1,752,768)	24,716	-1.41%
Change in mark-to-market of interest rate swaps	4,905,959	2,883,068	2,022,891	70.16%
Loss on disposal of property and equipment	(75,982)	(38,534)	(37,448)	97.18%
Rental revenue	938,547	949,088	(10,541)	-1.11%
Federal assistance revenue	9,478,720	-	9,478,720	100.00%
NET NONOPERATING REVENUE	11,426,847	2,930,521	8,496,326	289.93%
INCREASE IN NET POSITION BEFORE TRANSFERS				
	664,414,333	607,586,114	56,828,219	9.35%
TOTAL TRANSFERS	(655,038,536)	(578,389,810)	(76,648,726)	13.25%
INCREASE IN NET POSITION	\$ 9,375,797	\$ 29,196,304	\$ (19,820,507)	-67.89%

Current year revenues were greater than operating expenses and transfers resulting in an increase in net position for the current year of \$9.4 million.

Operating Revenue: Total operating revenue for the current year was \$970.4 million. Professional fees from direct patient care are the most significant source of revenue representing \$570.3 million or 58.8% of the total operating revenue.

Table 7 - Professional Fees from Direct Patient Care

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Charges	\$ 1,981,537,699	\$ 1,817,193,993	\$ 164,343,706	9.04%
Contractual adjustments	(1,386,745,948)	(1,249,153,803)	(137,592,145)	11.01%
Provision for bad debt	(24,479,784)	(21,885,757)	(2,594,027)	11.85%
Net direct charges from patient care	\$ 570,311,967	\$ 546,154,433	\$ 24,157,534	4.42%

Professional fees from direct patient care increased \$24.2 million or 4.4% during the 2022 fiscal year when compared to the prior year. Total charges increased \$164.3 million or 9%. The increased

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

charges were primarily the result of increased volume that was evidenced by an increase in WRVUs of 12.2% and patient visits of 5.5%.

Contractual adjustments increased \$137.6 million or 11%. Contractual adjustments as a percentage of charges increased 1.2% to 70% compared to the prior year.

Provision for bad debt increased \$2.6 million or 11.9%. Provision for bad debt as a percentage of charges was 1.2% in the current and prior year.

Professional fees from indirect patient care of \$212.5 million increased \$25.3 million or 13.5% during the 2022 fiscal year. The increase was due to additional revenue primarily from growth of the Regional Network.

Operating Expenses: Total operating expenses for the current year were \$317.4 million. Operating expenses increased \$95.2 million or 42.8% when compared to the prior year. The contractual services expense of \$267.1 million (84.2% of total operating expenses) is the most significant operating expense. This expense increased \$92.3 million or 52.8% from the prior year. Other operating expenses increased \$2.9 million or 6.1% in the current year.

The largest contractual services expense was for payments to the State's Agency for Health Care Administration totaling \$120.5 million an increase of \$81.3 million or 207.3% over the prior fiscal year. The increase was due to programs this year that were not in place the previous fiscal 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 second largest portion of the contractual services at \$85.5 million an increase of \$3.8 million or 4.6% over the prior fiscal year. The increase is attributed to additional costs associated with growth and approximately \$1 million due to a one-time appreciation award paid in October 2021 to the Shands' employees.

Other operating expenses were \$50.3 million and increased \$2.9 million or 6.1% compared to the prior year. The increase in other operating expenses was attributed to business growth and the return to pre-pandemic levels. Other operating expenses as a percentage of operating revenue were 5.2% in the current fiscal year and 5.7% in the prior fiscal year.

Nonoperating Revenue (Expenses): Total nonoperating revenue (net of expenses) for the current year was \$11.4 million compared to \$2.9 million in the prior fiscal year. This resulted in an increase of \$8.5 million. Federal assistance revenue of \$9.5 million (net of a \$8.5 million provision) was the primary source of the increase. The FCPA recognized revenue for Phase 3 of Provider Relief Funds (PRF) received in January 2021 net of a provision against lost revenue. Compared to the prior year investment income was down \$3.1 million and the fair value of the mark-to-market interest rate swaps increased \$2 million.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

The \$3.1 million decrease in Investment income was primarily due to a \$1.2 million decrease in the fair market value of the FCPA's investment portfolio compared to an increase of \$2.2 million in the prior year. Interest earnings in the current year were \$0.5 million more than the prior year.

The fair value of the mark-to-market interest rate swaps increased \$2 million compared to the prior year. This increase was a result of the favorable market conditions for the swaps.

Interest expense for long-term debt was \$2 million. This was a \$0.1 million decrease from the prior year.

Transfers: Transfers increased \$76.6 million or 13.2% to \$655 million during the 2022 fiscal year. Approximately \$20.1 million or 3.5% was due to growth in the Regional Network initiative which started during the second half of fiscal year 2021. Payroll expense funding made up \$19.1 million of this increase. In addition, payroll funding needs (excluding Regional Programs) increased \$32.7 million or 7.67%, of which \$25.2 million was in faculty salaries and benefits. The increase in faculty salaries and benefits was due in part to the 3% University raise implemented effective July 1, 2021. In addition, equity and market adjustments were made to retain employees due to labor market pressures. Staff salaries & benefits increased \$2.3 million or 3.45% mostly due to the 3% University raises. Funding to cover Other Personnel Services (OPS) earnings increased by \$4.2 million or 14.38%. In addition to the UF raises, OPS payroll costs went up due to an increase in additional pay in some clinical departments. These payments were particularly necessary due to COVID surges which was further compounded by staffing shortages. This was noticeable in the Department of Medicine's Hospitalist Program and Pulmonary Medicine. The Fringe Benefit Pool rates increased in most of the pools, further driving up the payroll costs. Transfers to cover non-salary expenses increased by approximately \$11.5 million or 22.6%, as expenses increased to pre-pandemic levels. The increased expenses were reflected in almost all expense categories, but the most notable increases were in contractual services, food & entertainment, travel, dues & subscription, repairs & maintenance, and data processing. Contractual services was also significantly impacted by payments to CRNA locums which were made at a premium. This was necessary to support normal operating levels and the additional staffing needs created by COVID surges in the summer and fall. The College of Medicine transferred approximately \$10.6 million, from FCPA to other University funds as additional support for education and research. This includes \$3.8 million for renovation of space.

Table 8 - Operational Key Indicators

	<i>2022</i>	<i>2021</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>
WRVUs	5,703,492	5,081,296	622,196	12.24%
Patient visits	1,264,484	1,198,529	65,955	5.50%

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

Total WRVUs increased 12.2% from the prior year. Patient visits increased 5.5%. These modest increases are partly due to growth associated with Regional Network.

Table 9 - Condensed Statements of Cash Flows

	<i>2022</i>	<i>2021</i>	<i>Increase (Decrease)</i>	<i>Percent Change</i>
CASH PROVIDED BY (USED IN):				
Operating activities	\$ 670,831,322	\$ 540,121,349	\$ 130,709,973	24.20%
Noncapital financing activities	(654,216,289)	(553,711,877)	(100,504,412)	18.15%
Capital and related financing activities	(15,373,779)	(13,633,721)	(1,740,058)	12.76%
Investing activities	190,758	718,982	(528,224)	73.47%
NET INCREASE (DECREASE)				
IN CASH AND CASH EQUIVALENTS	1,432,012	(26,505,267)	27,937,279	-105.40%
CASH AND CASH EQUIVALENTS,				
BEGINNING OF YEAR	50,597,651	77,102,918	(26,505,267)	-34.38%
CASH AND CASH EQUIVALENTS,				
END OF YEAR	\$ 52,029,663	\$ 50,597,651	\$ 1,432,012	2.83%

Total cash and cash equivalents increased by \$1.4 million in the current year.

Funds From Operating Activities: Cash provided by operating activities of \$670.8 million was \$130.7 million or 24.2% 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 and other of \$985 million, an increase of \$228.9 million or 30.3% from the prior year. The largest category of payments from operating funds was payments to contractors of \$267 million, which increased \$92.3 million or 52.8% from the prior year. Payment to suppliers and other were up \$5.9 million.

Funds From Noncapital Financing Activities: Cash used in noncapital financing activities of \$654.2 million was \$100.5 million or 18.2% more than cash used in the prior fiscal year. Cash used by noncapital financing activities are primarily funds transferred to the University.

Funds From Investing Activities: Cash provided by investing activities in the current fiscal year was \$0.2 million. In the prior year, cash provided by investing activities was \$.7 million. The decrease of cash provided of \$.5 million from the prior year is primarily due to \$.4 million received last year for a distribution from UF Health South Central, LLC investment. We did not receive a distribution this fiscal year.

Funds From Capital and Related Financing Activities: Cash used in capital and related financing activities was \$15.4 million for fiscal year 2022 compared to \$13.6 million cash used in financing activities for fiscal year 2021. The comparative increase is \$1.7 million. The largest use of funds for capital and related financing activities in the current year was \$5.7 million for capital lease principal payments.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

ECONOMIC FACTORS

The College of Medicine received approximately 5.6% 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 \$12.8 million and \$15.7 million in 2022 and 2021 respectively from the Program. The current year LIP revenue includes a provision of \$1.1 million established to cover potential over payment to the College for the fiscal year 2019 LIP program distribution. This is based on findings from an examination conducted on behalf of the Agency for Health Care Administration. The revenue from the Program represents 1.3% of the FCPA's total operating revenue for fiscal year 2022. The program is projected to continue throughout fiscal year 2023.

In fiscal year 2022, the FCPA received 32.5% 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. In fiscal 2022 we saw a rise in transmissions causing UF Health to implement another elective surgery cancellation order in early August 2021. Although the community spread of COVID is high, it currently is having no negative impact on our patient revenue stream. It is difficult to predict the impact COVID may have on the FCPA in the future.

The industry is currently going through staffing challenges that is driving labor costs up. It is uncertain how long this will persist.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Management's Discussion and Analysis - Continued

CONTACTING THE FCPA'S FINANCIAL MANAGEMENT

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

Financial Statements

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Net Position

	<i>June 30,</i>	
	<i>2022</i>	<i>2021</i>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 52,029,663	\$ 50,597,651
Investments	29,871,363	30,101,370
Patient accounts receivable, net of estimated contractual adjustments and uncollectible accounts of \$133,289,670 in 2022 and \$124,430,102 in 2021	95,798,094	94,825,644
Interest receivable	23,615	24,500
Due from affiliates	24,191,139	16,499,194
Other receivables	7,326,955	30,651,665
Lease receivable	617,683	606,975
Other assets	1,800	1,800
TOTAL CURRENT ASSETS	209,860,312	223,308,799
INVESTMENTS:		
Long-term investments	987,480	1,048,600
Lease receivable, non-current portion	11,404,248	12,021,934
Investment in UF Health South Central, LLC	6,443,246	6,443,246
TOTAL LONG-TERM INVESTMENTS	18,834,974	19,513,780
CAPITAL ASSETS:		
Property and equipment, net	82,640,856	87,202,582
Right-of-use assets, net	95,614,647	97,445,891
Facilities entitlements, net	411,505	852,613
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION	178,667,008	185,501,086
OTHER ASSETS:		
Estimated fair value of interest rate swaps	1,145,377	-
Deposits	45,484	45,484
TOTAL OTHER ASSETS	1,190,861	45,484
TOTAL ASSETS	\$ 408,553,155	\$ 428,369,149

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Net Position - Continued

	<i>June 30,</i>	
	<i>2022</i>	<i>2021</i>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 28,117,877	\$ 20,432,672
Current portion of long-term debt	8,733,691	3,908,825
Deferred revenue - Note N	8,401,949	23,835,844
Third-party advanced payments	-	11,436,508
Lease liabilities	5,625,045	5,388,035
Unearned revenue	307,728	897,940
CURRENT LIABILITIES	51,186,290	65,899,824
OTHER LIABILITIES:		
Long-term debt, less current portion	70,862,327	79,596,018
Lease liabilities, less current portion	91,644,714	92,905,420
Estimated fair value of interest rate swaps	-	3,760,582
TOTAL LIABILITIES	213,693,331	242,161,844
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflow of resources - leases	11,798,632	12,521,910
DEFERRED INFLOWS OF RESOURCES	11,798,632	12,521,910
COMMITMENTS AND CONTINGENCIES -		
Notes G and K		
NET POSITION:		
Net investment in capital assets	1,389,726	2,850,175
Unrestricted	181,671,466	170,835,220
TOTAL NET POSITION	183,061,192	173,685,395
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 408,553,155	\$ 428,369,149

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Revenue, Expenses and Changes in Net Position

	<i>Year Ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
OPERATING REVENUE:		
Direct revenue from patient care (net of estimated contractual allowances and discounts)	\$ 594,791,751	\$ 568,040,190
Estimated provision for bad debts	(24,479,784)	(21,885,757)
Net direct revenue from patient care less estimated provision for bad debts	570,311,967	546,154,433
Indirect revenue from patient care	212,458,069	187,207,696
TOTAL NET PATIENT SERVICE REVENUE	782,770,036	733,362,129
Other revenue	187,601,102	93,519,822
TOTAL OPERATING REVENUE	970,371,138	826,881,951
OPERATING EXPENSES:		
Contractual services	267,095,597	174,823,865
Insurance	3,492,004	3,365,541
Depreciation and amortization	6,078,177	6,248,103
Lease amortization	6,488,350	6,118,117
Operating supplies	20,259,214	20,549,255
Occupancy expenses	3,729,696	3,464,130
Printing and reproduction	113,775	118,284
Dues and subscriptions	1,523,639	1,362,015
Food and entertainment	118,641	57,922
Repairs and maintenance	5,204,290	4,226,648
Travel	134,328	64,941
Advertising	1,239,874	379
Telephone, freight, and postage	1,771,737	1,732,724
Other	134,330	94,434
TOTAL OPERATING EXPENSES	317,383,652	222,226,358
OPERATING INCOME	652,987,486	604,655,593
NONOPERATING REVENUE (EXPENSES):		
Investment income (loss)	(100,369)	2,968,324
Interest expense, net	(1,991,976)	(2,078,657)
Lease interest expense	(1,728,052)	(1,752,768)
Change in mark-to-market of interest rate swaps	4,905,959	2,883,068
Loss on disposal of property and equipment	(75,982)	(38,534)
Rental revenue	938,547	949,088
Federal assistance revenue - Note N	9,478,720	-
NET NONOPERATING REVENUE	11,426,847	2,930,521

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

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

	<i>Year Ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
INCREASE IN NET POSITION BEFORE TRANSFERS	664,414,333	607,586,114
TRANSFERS:		
Transfers to the University of Florida College of Medicine	(644,457,599)	(571,890,171)
Transfers to others	(10,580,937)	(6,499,639)
TOTAL TRANSFERS	(655,038,536)	(578,389,810)
INCREASE IN NET POSITION	9,375,797	29,196,304
NET POSITION, BEGINNING OF YEAR	173,685,395	144,489,091
NET POSITION, END OF YEAR	\$ 183,061,192	\$ 173,685,395

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Cash Flows

	<i>Year Ended June 30,</i>	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on behalf of patients	\$ 805,930,351	\$ 662,556,472
Other receipts	179,101,102	93,519,822
Payments to contractors	(267,095,597)	(174,823,865)
Payments to suppliers and others	(46,970,204)	(41,036,646)
Other	(134,330)	(94,434)
NET CASH PROVIDED BY OPERATING ACTIVITIES	670,831,322	540,121,349
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to the University of Florida College of Medicine	(644,457,599)	(571,890,171)
Transfers to others	(10,580,937)	(6,499,639)
Other nonoperating receipts	822,247	842,089
Federal assistance receipts	-	23,835,844
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(654,216,289)	(553,711,877)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	(2,065,009)	(747,980)
Proceeds from the sale of property and equipment	-	82,837
Principal payments on lease liabilities	(5,680,802)	(5,270,553)
Principal payments on long-term debt	(3,908,825)	(3,848,183)
Interest paid - lease liabilities	(1,727,167)	(1,771,185)
Interest paid - long-term debt	(1,991,976)	(2,078,657)
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(15,373,779)	(13,633,721)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales, calls and maturities of investments	-	31,356,568
Interest and dividends received	190,758	339,719
Purchase of investments	-	(31,389,596)
Capital distribution from UF Health South Central LLC investment	-	412,291
CASH PROVIDED BY INVESTING ACTIVITIES	190,758	718,982

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Cash Flows - Continued

	<i>Year Ended June 30,</i>	
	2022	2021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,432,012	(26,505,267)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,597,651	77,102,918
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 52,029,663	\$ 50,597,651
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 652,987,486	\$ 604,655,593
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	12,566,527	12,366,220
Increase (decrease) in cash due to changes in:		
Accounts receivable, net	(972,450)	(49,524,288)
Due from affiliates	(7,691,945)	(7,952,843)
Other receivables	23,324,710	(13,328,526)
Other assets	-	(2,355)
Accounts payable and accrued expenses	2,643,714	(3,668,846)
Third-party advanced payments	(11,436,508)	(3,153,216)
Unearned revenue	(590,212)	729,610
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 670,831,322	\$ 540,121,349
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset additions included in accounts payable	\$ 156,504	\$ 1,070,187
Capital assets obtained through lease liabilities	\$ 4,657,106	\$ 183,412

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

NOTE A--REPORTING ENTITY

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

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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.

Lease Liabilities and Right-of-Use Assets: The present value of lease payments is recorded as a lease liability at the commencement of a contract that has a term in excess of one year. The present value is determined by discounting the required payments using the stated or implicit interest rate in the lease or, if not stated or implied, the FCPA's incremental borrowing rate. Payments include options to extend, or terminate, if the FCPA determines that it is reasonably certain that such options will be exercised. A right-of-use asset is also recorded equal to the lease liability plus any initial direct costs, prepayments, or incentives.

Lease Receivable: FCPA's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, FCPA will receive variable lease payments based on the year as stated in the terms of the contract. The payments are recorded as inflow of resources in the period the payments are received.

A deferred inflow of resources is recorded for the leases. The deferred inflow of resources are recorded at the initiation of the leases in an amount equal to the initial recording of the lease receivables. The deferred inflow of resources are amortized on a straight-line basis over the term of the leases.

Net Position: Net position of the FCPA is classified in components. *Net investment in capital assets* consists of property and equipment and right-of-use assets net of accumulated depreciation and amortization and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets and lease liabilities. *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, 2022 and 2021.

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.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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, 2019 through 2022 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 Accounting Pronouncements: In May 2020, GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA). This Statement defines a SBITA; establishes that a SBITA results in a right-of-use subscription asset and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITAs; requires note disclosures regarding SBITAs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which the Statement is adopted.

Recently 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, 2020.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

Impact on Previously Reported Results: The provisions of GASB Statement No. 87 do not materially impact the amount of expense the FCPA recognizes. The primary impact of adopting the new standard is the reclassification of capital assets from property and equipment to right-of-use lease assets and the reclassification of the corresponding lease liability from debt to other current and long-term liabilities. Additionally, leases previously classified as operating leases are presented on the statements of net position as right-of-use assets and lease liabilities.

The following table presents a recast of selected Statement of Net Position items as of June 30, 2021 after giving effect to the adoption of GASB Statement No. 87:

	<i>As Previously Reported</i>	<i>Adjustments</i>	<i>As Adjusted</i>
ASSETS			
Accrued interest receivable	\$ 6,083	\$ 18,417	\$ 24,500
Lease receivable - short-term	-	606,975	606,975
Right of use assets - net	-	97,445,891	97,445,891
Property and equipment - net	87,430,579	(227,997)	87,202,582
Lease receivable - Long-term	-	12,021,934	12,021,934
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses	\$ 20,288,618	\$ 144,054	\$ 20,432,672
Current portion of long-term debt	4,023,900	(115,075)	3,908,825
Lease liabilities - short-term	-	5,388,035	5,388,035
Lease liabilities - long-term	-	92,905,420	92,905,420
Long-term debt	79,713,677	(117,659)	79,596,018
Deferred Inflow of resources	-	12,521,910	12,521,910
Net assets- Unrestricted	170,853,858	(18,638)	170,835,220

The following table presents a recast of selected Statement of Revenue, Expenses and Change in Net Position items for the year ended June 30, 2021 after giving effect to the adoption of GASB Statement No. 87:

	<i>As Previously Reported</i>	<i>Adjustments</i>	<i>As Adjusted</i>
OPERATING REVENUE			
Other revenue	\$ 93,896,677	\$ (376,855)	\$ 93,519,822
Contractual services	174,876,522	(52,657)	174,823,865
Depreciation and amortization	6,364,715	(116,612)	6,248,103
Lease amortization	-	6,118,117	6,118,117
Occupancy expenses	9,679,787	(6,215,657)	3,464,130
Repairs and maintenance	4,254,019	(27,371)	4,226,648
Interest expense, net	(2,103,547)	24,890	(2,078,657)
Lease interest expense	-	(1,752,768)	(1,752,768)
Rental revenue	-	949,088	949,088

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

The following table presents a recast of selected Statement of Cash Flows items for the year ended June 30, 2021 after giving effect to the adoption of GASB Statement No. 87:

	<i>As Previously Reported</i>	<i>Adjustments</i>	<i>As Adjusted</i>
STATEMENTS OF CASH FLOWS			
Other receipts	\$ 93,858,143	\$ (338,321)	\$ 93,519,822
Payments to contractors	(174,876,522)	52,657	(174,823,865)
Payments to suppliers and others	(47,332,540)	6,295,894	(41,036,646)
Other nonoperating receipts	-	842,089	842,089
Purchases of property and equipment	(747,975)	(5)	(747,980)
Principal payments on lease liabilities	-	(5,270,553)	(5,270,553)
Principal payments on capital lease obligations	(164,534)	164,534	-
Interest paid- lease liabilities	-	(1,771,185)	(1,771,185)
Interest paid- long-term debt	(2,103,547)	24,890	(2,078,657)
Operating income	604,738,268	(82,675)	604,655,593
Depreciation and amortization	6,364,715	6,001,505	12,366,220
Accounts payable and accrued expenses	(3,760,246)	91,400	(3,668,846)

Reclassifications: Certain reclassifications have been made to the 2021 amounts to conform to the 2022 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, 2022 and 2021:

<i>Investments</i>	<i>Maturities</i>	<i>Call Options</i>	<i>Fair Value</i>	
			<i>2022</i>	<i>2021</i>
HSBC USA Inc.	04/17/2024	Non Call	\$ 987,480	\$ 1,048,600
Vanguard S-T Corp Fund	N/A	N/A	4,004,656	4,264,730
Vanguard Dividend Growth Fund	N/A	N/A	10,124,075	10,125,580
TD Wealth Sweep Program	N/A	N/A	15,742,632	15,711,060
Total			<u>\$ 30,858,843</u>	<u>\$ 31,149,970</u>

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, 2022 are as follows:

<i>Types of Investments</i>	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>			
		<i>Less than 1</i>	<i>1-5</i>	<i>6-10</i>	<i>More than 10</i>
Commercial Bonds and Notes	\$ 987,480	\$ -	\$ 987,480	\$ -	\$ -
TD Wealth Sweep Program	15,742,632	15,742,632	-	-	-
Stock Mutual Fund	10,124,075	10,124,075	-	-	-
Bond Mutual Fund	4,004,656	4,004,656	-	-	-
TOTAL	<u>\$ 30,858,843</u>	<u>\$ 29,871,363</u>	<u>\$ 987,480</u>	<u>\$ -</u>	<u>\$ -</u>

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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, 2022, the FCPA had investments with quality ratings by nationally recognized rating agencies (i.e., Moody’s Investor Service and Standard and Poor’s Rating Agency) as follows:

<i>Types of Investments</i>	<i>Fair Value</i>	<i>AAA/Aaa</i>	<i>AA/Aa</i>	<i>Aa3</i>	<i>Less than A/Ba or Not Rated</i>
Commercial Bonds and Notes	\$ 987,480	\$ -	\$ -	\$ 987,480	\$ -
Bond Mutual Fund	4,004,656	-	-	4,004,656	-
TOTAL	<u>\$ 4,992,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,992,136</u>	<u>\$ -</u>

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, 2022 as follows:

<i>Issuer</i>	<i>Fair Value</i>	<i>% Total</i>
HSBC USA Inc.	\$ 987,480	3.2%
Vanguard Dividend Growth Fund	10,124,075	32.8%
Vanguard S-T Corp Fund	4,004,656	13.0%
TD Wealth Sweep Program	15,742,632	51.0%
TOTAL	<u>\$ 30,858,843</u>	<u>100.0%</u>

The changes in fair value of investments for the years ended June 30, 2022 and 2021 are as follows:

	<i>2022</i>	<i>2021</i>
Fair value at end of year	\$ 30,858,843	\$ 31,149,970
Add: Proceeds of called/matured investments	-	31,356,568
Less: Cost of investments purchased	(31,573)	(31,389,596)
Less: Reinvested dividends	(907,425)	(390,641)
Less: Fair value at beginning of year	(31,149,970)	(28,488,337)
Change in fair value of investments	<u>\$ (1,230,125)</u>	<u>\$ 2,237,964</u>

At June 30, 2022 and 2021, the FCPA had \$2,457,090 and \$2,609,352, respectively, of deposits in sweep accounts with financial institutions. These deposits were insured by the Federal Deposit

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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 (the LLC): During fiscal year 2017, the FCPA and UF Health Shands Hospital (Shands) entered an operating agreement for equal ownership and control of 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, 2022.

Assets	\$ 13,369,590
Liabilities	\$ 483,099
Net position	\$ 12,886,491
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:

	<i>Year Ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
Gross direct charges from patient care	\$ 1,981,537,699	\$ 1,817,193,993
Less: Contractual adjustments	(1,386,745,948)	(1,249,153,803)
Estimated provision for bad debts	(24,479,784)	(21,885,757)
Total direct revenue from patient care	570,311,967	546,154,433
Indirect revenue from patient care	212,458,069	187,207,696
Total net patient service revenue	\$ 782,770,036	\$ 733,362,129

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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

	<i>Year Ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
Third-party payers	\$ 473,208,897	\$ 443,121,089
Patients, including self-insured	61,060,572	62,819,089
Medicaid Enhanced Payment Program	60,522,282	62,100,012
	<u>\$ 594,791,751</u>	<u>\$ 568,040,190</u>

Contractual adjustments for 2022 and 2021 include approximately \$48,133,000 and \$54,950,000, 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, 2022 and 2021 includes \$60,522,282 and \$62,100,012, respectively, related to the Program. Net patient accounts receivable at June 30, 2022 and 2021 includes \$55,226,277 and \$56,019,786, 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

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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, 2022 and 2021 includes \$11,688,045 and \$15,717,239, respectively, related to the program. There were no amounts due under the LIP program as of June 30, 2022 and 2021.

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:

	<i>As of June 30,</i>	
	<i>2022</i>	<i>2021</i>
Patient accounts receivable based on established charges	\$ 229,087,764	\$ 219,255,746
Estimated contractual adjustments	(126,487,618)	(118,017,975)
Estimated allowance for uncollectible accounts	(6,802,052)	(6,412,127)
Patient accounts receivable, net	<u>\$ 95,798,094</u>	<u>\$ 94,825,644</u>

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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

	<i>As of June 30,</i>	
	<i>2022</i>	<i>2021</i>
Insurance carriers under commercial and managed care plans	\$ 24,321,831	\$ 24,084,357
Medicare	10,397,354	8,571,829
Medicaid	3,276,292	4,110,509
Patients, including self-insured	1,090,396	884,041
Other	1,485,944	1,155,122
Medicaid Enhanced Payment Program and Low Income Pool Program	55,226,277	56,019,786
	<u>\$ 95,798,094</u>	<u>\$ 94,825,644</u>

The activity relating to the estimated allowance for uncollectible accounts for the years ended June 30, 2022 and 2021, is summarized as follows:

	<i>2022</i>	<i>2021</i>
Beginning balance	\$ 6,412,127	\$ 4,614,838
Provision	24,479,784	21,885,757
Charge-offs	(24,089,859)	(20,088,468)
Ending balance	<u>\$ 6,802,052</u>	<u>\$ 6,412,127</u>

FCPA's estimated allowance for uncollectible accounts increased from the year ended June 30, 2021 to the year ended June 30, 2022 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, 2022.

The FCPA provided uncompensated care with gross charges of approximately \$108,214,000 and \$108,518,000 in 2022 and 2021, respectively. Included in the uncompensated care amounts are approximately \$24,569,000 and \$21,831,000 in charges foregone identified as charity care, in accordance with the FCPA's charity care policy, in 2022 and 2021, respectively. The estimated direct and indirect cost of providing these services totaled approximately \$7,086,000 and \$6,254,000 in 2022 and 2021, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated under a reasonable and systematic approach.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

NOTE E--CAPITAL AND LEASE ASSETS

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

	<i>Balance at June 30, 2021</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2022</i>
Capital assets:					
Building	\$ 70,248,920	\$ -	\$ -	\$ -	\$ 70,248,920
Land	1,648,523	-	-	-	1,648,523
Leasehold improvements	23,836,605	32,060	-	-	23,868,665
Furniture, equipment and computers	28,944,581	1,119,265	570,684	-	29,493,162
Intangible asset	750,000	-	-	-	750,000
Total capital assets	125,428,629	1,151,325	570,684	-	126,009,270
Accumulated depreciation and amortization:					
Building	11,259,377	1,872,625	-	-	13,132,002
Leasehold improvements	4,585,667	1,140,244	-	-	5,725,911
Furniture, equipment and computers	21,631,003	2,624,200	494,702	-	23,760,501
Intangible asset	750,000	-	-	-	750,000
Total accumulated depreciation and amortization	38,226,047	5,637,069	494,702	-	43,368,414
	87,202,582	(4,485,744)	75,982	-	82,640,856
Capital assets in progress	-	-	-	-	-
Total capital assets, net	\$ 87,202,582	\$ (4,485,744)	\$ 75,982	\$ -	\$ 82,640,856
	<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	\$ 70,248,920	\$ -	\$ -	\$ -	\$ 70,248,920
Land	1,648,523	-	-	-	1,648,523
Leasehold improvements	22,690,153	1,218,997	72,545	-	23,836,605
Furniture, equipment and computers	29,845,254	287,426	1,264,576	76,477	28,944,581
Intangible asset	750,000	-	-	-	750,000
Total capital assets	125,182,850	1,506,423	1,337,121	76,477	125,428,629
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	19,985,284	2,871,761	1,226,042	-	21,631,003
Intangible asset	750,000	-	-	-	750,000
Total accumulated depreciation and amortization	33,678,879	5,845,755	1,298,587	-	38,226,047
	91,503,971	(4,339,332)	38,534	76,477	87,202,582
Capital assets in progress	150,862	8,452	82,837	(76,477)	-
Total capital assets, net	\$ 91,654,833	\$ (4,330,880)	\$ 121,371	\$ -	\$ 87,202,582

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

There were no capital assets in progress as of June 30, 2022.

A summary of lease assets and schedule of activity is as follows:

	<i>Balance at June 30, 2021</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2022</i>
Lease assets:					
Right-of-use asset - non-affiliate	\$ 67,784,947	\$ 1,625,021	\$ -	\$ -	\$ 69,409,968
Right-of-use asset - affiliate	35,214,639	1,988,890	-	-	37,203,529
Right-of-use asset - equipment	564,422	1,043,195	-	-	1,607,617
Total lease assets	103,564,008	4,657,106	-	-	108,221,114
Accumulated amortization:					
Right-of-use asset - non-affiliate	3,535,510	3,842,036	-	-	7,377,546
Right-of-use asset - affiliate	2,390,788	2,407,362	-	-	4,798,150
Right-of-use asset - equipment	191,819	238,952	-	-	430,771
Total accumulated amortization	6,118,117	6,488,350	-	-	12,606,467
Total lease assets, net	\$ 97,445,891	\$ (1,831,244)	\$ -	\$ -	\$ 95,614,647

	<i>Balance at June 30, 2020</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2021</i>
Lease assets:					
Right-of-use asset - non-affiliate	\$ 67,784,947	\$ -	\$ -	\$ -	\$ 67,784,947
Right-of-use asset - affiliate	35,214,639	-	-	-	35,214,639
Right-of-use asset - equipment	381,010	183,412	-	-	564,422
Total lease assets	103,380,596	183,412	-	-	103,564,008
Accumulated depreciation and amortization:					
Right-of-use asset - non-affiliate	-	3,535,510	-	-	3,535,510
Right-of-use asset - affiliate	-	2,390,788	-	-	2,390,788
Right-of-use asset - equipment	-	191,819	-	-	191,819
Total accumulated amortization	-	6,118,117	-	-	6,118,117
Total lease assets, net	\$ 103,380,596	\$ (5,934,705)	\$ -	\$ -	\$ 97,445,891

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 \$441,000 and \$402,000 for each of the years ended June 30, 2022 and 2021, respectively.

FCPA has recorded right of use assets as a result of implementing GASB Statement No. 87. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right-of-use assets are amortized on a straight-line basis over the life of the related lease. Further discussion regarding the related lease liabilities can be found in Note G.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

NOTE F--LONG-TERM DEBT

Activity in long-term debt for the years ended June 30, 2022 and 2021 are as follows:

	<i>Balance at June 30, 2021</i>	<i>Issuances</i>	<i>Retirements</i>	<i>Balance at June 30, 2022</i>	<i>Amounts Due Within One Year</i>
Direct borrowings:					
2013 Notes Payable	\$ 5,433,796	\$ -	\$ (336,111)	\$ 5,097,685	\$ 5,097,685
Health Facilities Revenue Bonds, Series 2012	19,224,491	-	(1,306,122)	17,918,369	1,306,122
Health Facilities Revenue Bond, Series 2017	30,041,556	-	(1,036,592)	29,004,964	1,062,884
Health Facilities Revenue Bond, Series 2019	28,805,000	-	(1,230,000)	27,575,000	1,267,000
Total Long-Term Debt	<u>\$ 83,504,843</u>	<u>\$ -</u>	<u>\$ (3,908,825)</u>	<u>\$ 79,596,018</u>	<u>\$ 8,733,691</u>
	<i>Balance at June 30, 2020</i>	<i>Issuances</i>	<i>Retirements</i>	<i>Balance at June 30, 2021</i>	<i>Amounts Due Within One Year</i>
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	<u>\$ 87,353,026</u>	<u>\$ -</u>	<u>\$ (3,848,183)</u>	<u>\$ 83,504,843</u>	<u>\$ 3,908,826</u>

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 2.16% and 1.19% at June 30, 2022 and 2021, 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. The A Loan, in the original amount of \$6,050,000, was paid in full subsequent to year end.

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,

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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 1.62% and 0.89% at June 30, 2022 and 2021, respectively. Subsequent to year end, the Series 2012 Bonds were refinanced with Series 2022 for the same original purpose. Monthly principal payments of \$108,844, begin October 1, 2022 through February 1, 2036. A final principal payment of \$68,027 is due March 1, 2036. Required monthly interest payments are based on a 3.4% per annum rate.

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 1.65% and 0.83% at June 30, 2022 and 2021, 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 1.52% and 0.73% at June 30, 2022 and 2021, 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

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

coverage ratio of 1.25. The FCPA was in compliance with these restrictive covenants at June 30, 2022. 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 G.

The estimated future debt service requirements, based upon the interest rates in effect at June 2022, are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 8,733,692	\$ 1,204,500	\$ 9,938,192
2024	3,700,966	1,127,933	4,828,899
2025	3,768,609	1,066,718	4,835,327
2026	3,835,955	1,005,536	4,841,491
2027	3,906,018	943,267	4,849,285
2028 - 2032	20,665,508	3,742,830	24,408,338
2033 - 2037	21,080,517	2,016,717	23,097,234
2038 - 2042	12,150,661	559,666	12,710,327
2043	1,754,092	76,785	1,830,877
	<u>\$ 79,596,018</u>	<u>\$ 11,743,952</u>	<u>\$ 91,339,970</u>

NOTE G--LEASE LIABILITIES

FCPA has entered into agreements to lease certain equipment and property. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

There are a significant amount of agreements entered into with various vendors. There are no variable payment components for any lease. Each lease liability is measured at various discount rates based on the terms, date of service, classification of item and other factors pertaining to the contract. The associated right of use asset is discussed in more detail in Note E.

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

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

	<i>Balance at</i>			<i>Amount Due</i>	
	<i>June 30, 2021</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i>	<i>Within One</i>
				<i>June 30, 2022</i>	<i>Year</i>
Non-affiliate property	\$ 64,723,032	\$ 1,625,024	\$ 3,326,462	\$ 63,021,594	\$ 3,316,181
Affiliate property	33,200,332	1,988,890	2,036,038	33,153,184	1,997,026
Non-affiliate equipment	370,091	1,043,192	318,302	1,094,981	311,838
Total lease liabilities	\$ 98,293,455	\$ 4,657,106	\$ 5,680,802	\$ 97,269,759	\$ 5,625,045

	<i>Balance at</i>			<i>Amount Due</i>	
	<i>June 30, 2020</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i>	<i>Within One</i>
				<i>June 30, 2021</i>	<i>Year</i>
Non-affiliate property	\$ 67,784,449	\$ -	\$ 3,061,417	\$ 64,723,032	\$ 3,218,987
Affiliate property	35,214,640	-	2,014,308	33,200,332	2,018,382
Non-affiliate equipment	381,507	183,412	194,828	370,091	150,666
Total lease liabilities	\$ 103,380,596	\$ 183,412	\$ 5,270,553	\$ 98,293,455	\$ 5,388,035

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

<i>Year Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>June 30,</i>	<i>Payments</i>	<i>Payments</i>	
2023	\$ 5,625,045	\$ 1,711,065	\$ 7,336,110
2024	5,236,488	1,612,193	6,848,681
2025	5,237,069	1,515,325	6,752,394
2026	5,025,871	1,420,954	6,446,825
2027	4,979,050	1,327,537	6,306,587
2028-2032	21,692,860	5,315,679	27,008,539
2033-2037	14,368,023	3,700,974	18,068,997
2038-2042	10,241,452	2,602,698	12,844,150
2043-2047	8,471,888	1,802,442	10,274,330
2048-2052	8,544,684	1,065,446	9,610,130
2053-2057	5,264,806	446,521	5,711,327
2058-2060	2,582,523	53,059	2,635,582
	\$ 97,269,759	\$ 22,573,893	\$ 119,843,652

NOTE H--LEASE RECEIVABLE

The FCPA has entered into agreements with Shands to provide land and buildings. Non-cancelable lease terms range from 5 years to 38 years. Monthly minimum lease payments range from \$2,379 to \$31,405. The lease receivables are measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.75%, which is the

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

implicit rate. During the year ended June 30, 2022 and 2021, FCPA recognized \$606,975 and \$616,282 of lease revenue, respectively. During the year ended June 30, 2022 and 2021, FCPA recognized \$216,153 and \$225,809, respectively, of interest revenue included with rental revenue in nonoperating revenue in the statements of revenue, expenses and changes in net position under the various leases.

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 \$17,918,369 and \$19,224,491 at June 30, 2022 and 2021, 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 \$5,097,685 and \$5,433,796 at June 30, 2022 and 2021. 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 \$29,004,964 and \$30,041,556 at June 30, 2022 and 2021, 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 \$27,575,000 and \$28,805,000 at June 30, 2022 and 2021, 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 (an asset of \$1,145,377 and a liability of \$3,760,582 at June 30, 2022 and 2021, respectively) and the changes in the value of the swaps are

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

reflected as a component of nonoperating expense in the statements of revenue, expenses and changes in net position for the years ended June 30, 2022 and 2021.

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 \$183,022,000 and \$90,226,000, for the years ended June 30, 2022 and 2021, 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 2022 and 2021, the FCPA received approximately \$132,254,000 and \$119,186,000, 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 no unearned revenue from Shands as of June 30, 2022 and \$500,000 unearned revenue as of June 30, 2021.

Also, during fiscal years 2022 and 2021, the FCPA incurred approximately \$167,725,000 and \$156,320,000, respectively, per year in contractual services expense under various contracts with Shands and Affiliates. Accounts payable and accrued expenses as of June 30, 2022 and 2021, 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, 2022 and 2021 are due primarily from Shands and Affiliates for numerous different departmental professional services and support furnished under agreements with Shands and Affiliates.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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 recouped \$11,436,508 and \$3,153,216 of advanced payments during the years ended June 30, 2022 and 2021, respectively.

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

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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, 2022 and 2021, and their respective classification under the GASB Statement No. 72 valuation hierarchy:

Assets Measured at Fair Value on a Recurring Basis as of June 30, 2022:

<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Assets:			
Investments in TD Wealth Sweep Program	\$ 15,742,632	-	\$ 15,742,632
Investments in Commercial Bonds and Notes	987,480	-	987,480
Investments in Stock Mutual Fund	10,124,075	-	10,124,075
Investments in Bond Mutual Fund	4,004,656	-	4,004,656
Interest rate swap agreements, net	1,145,377	-	1,145,377
\$ 32,004,220	\$ -	\$ 30,858,843	\$ 1,145,377

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2021:

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Investments in 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	-
	<u>\$ 31,149,970</u>	<u>\$ -</u>	<u>\$ 31,149,970</u>	<u>\$ -</u>
Liabilities:				
Interest rate swap agreements, net	\$ 3,760,582	\$ -	\$ -	\$ 3,760,582

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 year ended June 30, 2021, FCPA received \$23,835,844 of CARES Act PRF in both general and targeted distributions to prevent, prepare for and respond to coronavirus. The FCPA recognized \$17,913,957 of PRF funds as revenue for the year ended June 30, 2022 to offset an estimated \$16,803,898 of lost revenue and \$1,110,059 for COVID-19 related expenses incurred based on the reporting guidelines published by HHS. FCPA has placed a 50% reserve against all PRF funds recognized as lost revenues in the current year. FCPA management opted to use the alternate reasonable methodology to recognize lost revenue. This approach is not prescribed and is subject to approval by HRSA. Given this uncertainty, the FCPA set aside the reserve against the lost revenue recognized. The reserve is netted against the PRF revenue recognized in the statements of revenue, expenses and changes in net position and is recorded as deferred revenue in the accompanying statements of net position until further clarification is received from HHS. FCPA intends to return \$5,955,175 of PRF funding and earned interest that remained unused by the close of period of availability, June 30, 2022, in accordance with program and federal award guidelines. Amounts to be returned are included with accrued expenses in the statements of net position.

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2022 and 2021

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. FCPA received \$588,547 and \$747,618 of CARES Act COVID-19 Uninsured funding for the years ended June 30, 2021 and 2022, respectively. The entire amounts have been recorded as revenue in the accompanying financial statements in the year received.

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, 2022 financial statements, except as noted in Note F.

Other Financial Information

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

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

	<i>Year Ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
REVENUE	\$ -	\$ -
EXPENDITURES:		
Salaries and benefits	570,744,869	518,425,583
Contractual services	27,263,152	21,396,953
Insurance	12,419	18,984
Electronic data processing charges	6,245,309	4,925,509
Operating supplies	11,428,369	12,616,177
Occupancy expenses	446,136	469,313
Printing and reproduction	506,243	409,359
Dues and subscriptions	2,590,641	1,764,241
Food and entertainment	1,213,059	129,635
Repairs and maintenance	2,173,297	1,997,394
Travel	2,813,352	394,468
Advertising	418,496	274,500
Telephone, freight and postage	1,556,892	1,443,272
University overhead	12,875,485	12,185,241
Other	5,985,990	5,305,826
Total expenditures	646,273,709	581,756,455
EXPENDITURES IN EXCESS OF REVENUE BEFORE TRANSFERS	(646,273,709)	(581,756,455)
TRANSFERS:		
From Florida Clinical Practice Association, Inc.	644,457,599	571,890,171
Transfers to others	1,086,329	(3,542,231)
Total transfers	645,543,928	568,347,940
EXCESS (DEFICIT) OF REVENUE AND TRANSFERS OVER EXPENDITURES NET POSITION (DEFICIENCY), BEGINNING OF YEAR	(729,781)	(13,408,515)
NET POSITION (DEFICIENCY), END OF YEAR	\$ (14,066,327)	\$ 71,969



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, 2022, and the related notes to the financial statements, which collectively comprise the FCPA's basic financial statements, and have issued our report thereon dated September 26, 2022.

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) as a basis for designing 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 FCPA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might

be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PYA, P.C.

Tampa, Florida
September 26, 2022