CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements
(and Other Financial Information)

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

Years Ended June 30, 2023 and 2022

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Table of Contents

Years Ended June 30, 2023 and 2022

PYA, P.C.
Bayport Plaza, Suite 860
3000 Bayport Drive
Tampa, FL 33607
(813) 424-3700 | pyapc.com

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, 2023 and 2022, 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, 2023 and 2022, 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, 2021, the FCPA adopted new accounting guidance required by Governmental Accounting Standards Board (GASB) Statement No. 96. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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, HSCSHHS, HSCVAHS) 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 28, 2023, 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 28, 2023

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, 2023. 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 2023 can be described as a very financially challenging year for the FCPA, following post-COVID industry trends. As expected, the growing expense trend that started during the third quarter of FY2021, as COVID restrictions were lifted, continued through 2023 as operations settled to pre-pandemic levels. The FY2023 results can be summarized as a simple story of increasing revenue unable to keep up at the same rate as rapidly rising costs. The increasing patient revenue trend jump-started in fiscal year 2021 continued at a softer pace in FY23. Visits and WRVUs increased by 1.5% and 6% respectively over the prior year. Total operating revenue increased by 5.3% over the prior year, in line with pre-pandemic average revenue growth rates. The pandemic era induced rise in healthcare industry labor costs persisted in FY23, leading to a significant increase in clinical expenditures. This was not matched by an increase in reimbursement rates, instead the ending of the Public Health Emergency (PHE) resulted in a reduction to the Federal Medical Assistance Percentages (FMAP) for some Medicaid Programs like Physician Supplemental Payment during the final quarter of FY23. Also related to the ending of the PHE was a disenrollment of Medicaid patients who lost eligibility with the ending of the PHE. In addition to the labor cost increases, other operating expenses funded by the FCPA through the University of Florida (the University) like travel, food and dues and subscriptions also experienced noticeable increases, as inflationary pressures in the economy drove up prices nationwide. Another post pandemic effect on the Healthcare industry is staffing challenges and the FCPA was not spared. To keep the operations going, additional locums were recruited mostly through the University, at high premiums to staff various locations and specialties. Areas with the most significant increases were in Anesthesiology (both Gainesville and Regional Network) and Radiology. In recognition of the increased WRVU's generated by providers, UF Health leadership decided to continue funding earned variable compensation for faculty in fiscal year 2023 and is expected to pay out in fiscal year 2024. This decision was made despite the loss sustained in 2023, to retain faculty and avoid disruptions in operations.

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. The Regional Network continued to grow in fiscal year 2023, mostly due to 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 subscription-based information technology arrangements (SBITA) in fiscal year 2023. Unlike the lease accounting standard (GASB 87) implementation in the prior year, the FCPA's financial statements were not materially impacted by this standard. Due to the relationship between the FCPA and the University, a good portion of software used by the Physicians and staff are university owned and paid for using funds transferred from the FCPA. As a result, items meeting the eligibility criteria of the standard were limited for the FCPA. The few agreements qualifying as SBITAs under GASB Statement No. 96 were recorded in accordance with the guidance as right-of-use assets with related lease liabilities of the FCPA. The FCPA opted to restate fiscal year 2022 statements to provide two-year comparative results.

The FCPA holds certain debt instruments with TD Bank and in FY23 certain continuing covenants relating to the Bonds were modified to add a guaranty of UF Health Shands Hospital (Shands) and Clinics to each of FCPA's existing TD Bank debt and swaps as a credit enhancement. This modification allows TD Bank to test Shands for its debt service coverage, if the FCPA does not meet its debt service coverage covenant. As a result of this agreement, the FCPA officers are required to provide pertinent financial and budget information to the Shands management team, Finance Committee and or Board of Directors on a regular basis. Due to the challenges faced by the FCPA in FY23, the debt service coverage ratio fell well short of the required 1.25 requirement, triggering testing of Shands compliance with its debt service requirement. By reason of Shands meeting the requirements, FCPA is considered in compliance with the covenant for FY23.

The FCPA's net position decreased $23.6 million or 12.9% during fiscal year 2023. Operating revenue was $1 billion, an increase of $51.1 million or 5.3% over the prior year. Total operating expense of $346.6 million increased $29.2 million or 9.2% when compared to the prior year. Professional fees from direct patient care of $601.3 million increased $31.0 million or 5.4% during fiscal year 2023 from the prior year. The increase in direct patient care revenue is primarily the result of an increase in patient visits and WRVUs, partly due to growth from Regional Network. Professional fees from indirect patient care and other revenue of $420.2 million increased $20.1 million or 5% during fiscal year 2023 compared to the prior year. The increase was primarily due to additional revenue from regional programs and Shands to cover increased expenses under contract.

Investment income of $2.5 million represents an increase of $2.6 million, from an investment loss of $.1 million in the prior year. The upturn in investment income was primarily due to higher interest rates on investments and cash balances and to an increase in the fair market value of the FCPA's investment portfolio resulting from better financial market performance. Favorable market conditions yielded a fair market value gain of $.7 million this year compared to a loss of $1.2 million last year.

Interest expense for long-term debt in the 2023 fiscal year was $2.1 million compared to $2 million last fiscal year. Additionally, interest expense of $1.9 million was reported in FY23 for lease and subscription-based information technology agreements, a $.1 million or 7% increase compared to the prior year.

Transfers increased $44.7 million or 6.8% to $700 million during the 2023 fiscal year. Approximately $14.4 million or 2.2% was due to growth in the Regional Network initiative which started during the second half of fiscal year 2021. Payroll expense funding made up $6.9 million of this increase in transfers for Regional Network expenses. In addition, payroll funding needs (excluding Regional Programs) increased $22.0 million or 4.8%, of which $9.3 million was in faculty salaries and benefits. The increase in faculty salaries and benefits was mostly due to additional pay, equity and market adjustments that were made to retain employees due to labor market pressures. In addition, the University implemented a 3% salary increase program, effective October 2022. This was an effort by the University to address market equity issues for personnel. OPS earnings (excluding Regional Physicians Program) increased by $10.2 million. In addition to raises, OPS payroll increased as a result of additional pay and moonlighting expenses in clinical departments. These payments were necessary due to staffing shortages and the need to fulfill clinical obligations. Anesthesiology, Emergency Medicine, Radiology and Medicine Hospitalist Program are some of the specialties with significant increases. Except for Housestaff and Other OPS/Temporary Faculty rates, all other Fringe Benefit Pool rates increased over the prior year, further driving up the high payroll costs. The largest rate increase impacting FCPA funded salaries was the Clinical Faculty Fringe rate which went from 18.3% to 19.6%, a 7.1% increase over last year. Included in the salary numbers is approximately $3 million of earned faculty incentives from the prior year that was not charged to FY22.

The full impact of the high payroll cost is not reflected in the FCPA transfers. This is because the College of Medicine embarked on an effort to appropriately use other fund sources to cover Educational and Research payroll expenses that would otherwise be supported with FCPA transfers during the final quarter of the year. Transfers to cover non-salary expenses increased by approximately $14.9 million or 20.2%, as expenses increased to pre-pandemic levels. There were significant increases in most expense categories as this was the first full year of pre-pandemic operational activity since FY 2019. This was compounded by the inflationary impacts on the cost of goods and services. Notable increases were seen in contractual services, travel, food & entertainment, tuition and operating capital. Approximately $5.8 million of the increase was in the Regional Programs, driven by the use of locums, especially in Anesthesiology Daytona and Central Florida Health. Contractual services increased $7.8 million, of which $6.0 million was in Anesthesiology. This increase was mostly due to use of locums. Due to the shortage of CRNA's typically contracted through the FCPA with Shands, the department utilized locums through the University at a premium, to staff Shands, Central Florida Health, and Halifax. Radiology also experienced similar issues causing their use of locums to increase by $1.3 million over the prior year. The College of Medicine transferred approximately $8.0 million, from FCPA to other University funds as additional support for education and research. This includes $2.3 million for renovation of space.

There are difficult times ahead for the FCPA due to the challenging economic trends in the healthcare industry. However, UF Health leadership and the University are committed to work towards turning the ship around. The FCPA, is vital to supporting the various missions of the University so efforts are underway to review the various funding sources available to the College of Medicine and utilize these sources as appropriate for the College of Medicine. These measures will help reduce the transfer needs from the FCPA to the College of Medicine. In addition, cost cutting measures are being taken as appropriate to control costs. These strategies were partially applied during the fourth quarter of FY23, reducing the amount of funds that would otherwise have been transferred to the University. The College of Medicine currently has an initiative underway termed ELEVATE which includes a review of administrative functions to obtain efficiencies in the system. The overall financial health of the FCPA is currently stressed but there are opportunities to stem the tide. The FCPA's net position decreased by $23.6 million or 12.9% to $159.4 million. Current assets of $177.3 million are more than sufficient to cover current liabilities of $42.6 million. The FCPA has $67.2 million in long-term debt and $94.3 million in long-term lease and subscription liabilities, excluding current portions, at June 30, 2023.

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

	2023	2022	Increase (Decrease)	Percent Change	Percentage of 2023 Total
ASSETS					
Cash and cash equivalents	$ 26,542,786	$ 52,029,663	$ (25,486,877)	-48.99%	7.04%
Patient accounts receivable, net	98,380,928	95,798,094	2,582,834	2.70%	26.10%
Other current assets (excluding short term investments)	19,495,187	31,543,509	(12,048,322)	-38.20%	5.17%
Investments - long term and short term	36,969,445	37,302,089	(332,644)	-0.89%	9.81%
Property and equipment, net	80,464,474	82,640,856	(2,176,382)	-2.63%	21.35%
Right-of-use lease assets, net	95,846,004	95,614,647	231,357	0.24%	25.43%
Right-of-use subscription assets, net	2,330,886	2,879,793	(548,907)	-19.06%	0.62%
Facilities entitlements, net	115,112	411,505	(296,393)	-72.03%	0.03%
Lease receivable	13,853,124	12,021,931	1,831,193	15.23%	3.67%
Other assets	2,967,425	1,190,861	1,776,564	149.18%	0.79%
TOTAL ASSETS	$ 376,965,371	$ 411,432,948	$ (34,467,577)	-8.38%	100.00%

At June 30, 2023, total assets for the FCPA were $377 million, a decrease of $34.5 million or 8.4% from the prior year.

Table 2 - Patient Accounts Receivable, Net

	2023	*2022*	*Increase (Decrease)*	*Percent Change*
Beginning accounts receivable	$ 173,861,487	$ 163,235,960	$ 10,625,527	6.51%
Net charges	615,270,344	617,030,262	(1,759,918)	-0.29%
Payments	(591,848,614)	(591,869,772)	21,158	0.00%
Bad debt write off	(54,850,112)	(48,799,287)	(6,050,825)	12.40%
Refunds	27,713,857	34,264,324	(6,550,467)	-19.12%
Accounts receivable	170,146,962	173,861,487	(3,714,525)	-2.14%
Reserve for contractual adjustments	(121,199,999)	(126,487,618)	5,287,619	-4.18%
Reserve for uncollectible accounts	(7,866,587)	(6,802,052)	(1,064,535)	15.65%
Sub-total accounts receivable, net	41,080,376	40,571,817	508,559	1.25%
Medicaid Enhanced Payment and Low Income Pool Programs	57,300,552	55,226,277	2,074,275	3.76%
Total accounts receivable, net	$ 98,380,928	$ 95,798,094	$ 2,582,834	2.70%

The FCPA's most significant asset was net patient accounts receivable. Net patient accounts receivable was $98.4 million or 26.1% of total assets at June 30, 2023. Net patient accounts receivable increased by $2.6 million or 2.7% from the prior year.

Table 3 - Right-of-use Assets, Net

	2023	*2022*	*Increase (Decrease)*	*Percent Change*	*Percentage of 2023 Total*
Right-of-use - non-affiliate	$ 62,792,870	$ 62,032,422	$ 760,448	1.23%	63.96%
Right-of-use - affiliate	32,112,163	32,405,379	(293,216)	-0.90%	32.71%
Right-of-use - equipment	940,971	1,176,846	(235,875)	-20.04%	0.96%
Right-of-use - subscription	2,330,886	2,879,793	(548,907)	-19.06%	2.37%
TOTAL RIGHT-OF-USE ASSETS, NET	$ 98,176,890	$ 98,494,440	$ (317,550)	-0.32%	100.00%

The FCPA's second most significant asset was right-of-use assets, net. Right-of-use assets, net was $98.2 million or 26% of total assets at June 30, 2023.

At June 30, 2023, the FCPA had $98.2 million right-of-use assets, net of accumulated amortization of $20.4 million. The amount represents a net decrease (including additions and deductions) of approximately $.3 million or .3% compared to last year. The decrease was primarily the result of current year amortization of $7.7 million which was higher than additions net of retirements of $7.4 million.

Table 4 - Property and Equipment, Net

	2023	2022	Increase (Decrease)	Percent Change	Percentage of 2023 Total
Buildings	$ 55,257,903	$ 57,116,917	$ (1,859,014)	-3.25%	68.67%
Land	1,648,523	1,648,523	-	0.00%	2.05%
Leasehold improvements	17,214,850	18,142,755	(927,905)	-5.11%	21.39%
Furniture, fixtures and equipment	4,929,447	5,732,661	(803,214)	-14.01%	6.13%
Capital assets in progress	1,413,751	-	1,413,751	100.00%	1.76%
TOTAL PROPERTY AND EQUIPMENT, NET	$ 80,464,474	$ 82,640,856	$ (2,176,382)	-2.63%	100.00%

The FCPA's third most significant asset was property and equipment, net. Property and equipment, net was $80.5 million or 21.4% of total assets at June 30, 2023. Property and equipment, net decreased by $2.2 million or 2.6% from the prior year.

At June 30, 2023, the FCPA had $80.6 million invested in a broad range of capital assets, net of accumulated depreciation and amortization of $80.9 million, including facilities entitlements. The amount represents a net decrease (including additions and deductions) of approximately $2.5 million or 3% compared to last year. The decrease was primarily the result of current year depreciation being greater than capital asset additions.

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 $11.6 million budgeted for capital expenditures that will be used to renovate and equip clinics and fund various additional capital projects including approximately $6 million approved for clinic improvements at the UF Medical Plaza.

The FCPA's fourth most significant asset was investments – long term and short term. Investments – long term and short term were $37 million or 9.8% of total assets at June 30, 2023, a decrease of $.3 million or .9% from the prior year.

Table 5 - Condensed Statements of Liabilities

	2023	2022	Increase (Decrease)	Percent Change	Percentage of 2023 Total
LIABILITIES					
Accounts payable and accrued expenses	$ 23,980,301	$ 28,180,660	$ (4,200,359)	-14.91%	11.75%
Long-term debt obligations, including current portions	70,862,326	79,596,018	(8,733,692)	-10.97%	34.72%
Lease and subsciption liabilities including current portion	100,666,723	100,202,703	464,020	0.46%	49.32%
Deferred revenue	8,401,949	8,401,949	-	0.00%	4.12%
Unearned revenue	206,293	307,728	(101,435)	-32.96%	0.10%
TOTAL LIABILITIES	$ 204,117,592	$ 216,689,058	$ (12,571,466)	-5.80%	100.00%

At June 30, 2023, liabilities for the FCPA were $204.1 million. Total liabilities decreased $12.6 million or 5.8% when compared to the prior year.

The FCPA's most significant liability is its lease and subscription liabilities of $100.7 million or 49.3% of total liabilities at June 30, 2023. Lease and subscription liabilities were $100.2 million in the prior year. Lease and subscription liabilities increased $.5 million. The increase is the net of payment reductions totaling $6.8 million and net additions of $7.3 million due to new arrangements in the current fiscal year.

The FCPA's second most significant liability is its long-term debt of $70.9 million or 32.9% of total liabilities at June 30, 2023. Long-term debt was $79.6 million in the prior year. The FCPA had a debt to net assets ratio of .44 in fiscal year 2023 and .43 in fiscal year 2022. Long-term debt decreased $8.7 million. The decrease is due to principal payments including a balloon payment of $5.1 million to pay off the Main Street Note.

The FCPA's third most significant liability is its accounts payable and accrued expenses, which is $24 million or 11.8% of total liabilities at June 30, 2023. Accounts payable and accrued expenses decreased by $4.2 million or 14.9%. A $1.1 million potential refund of fiscal year 2019 LIP program reconciliation amount is included in accrued expenses.

The FCPA's fourth most significant liability was deferred revenue. Deferred revenue was $8.4 million at June 30, 2023. 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.

Net Position: Net position decreased by $23.6 million or 12.9% to $159.4 million. Current assets of $177.3 million are more than sufficient to cover current liabilities of $42.7 million. The FCPA has $67.2 million in long-term debt less current portion at June 30, 2023.

Table 6 - Condensed Statements of Revenue and Expenses

	2023	*2022*	*Increase (Decrease)*	*Percent Change*
OPERATING ACTIVITIES:				
Professional fees from direct patient care	$ 601,310,539	$ 570,311,967	$ 30,998,572	5.44%
Professional fees from indirect patient care	234,479,564	212,458,069	22,021,495	10.37%
Other revenue	185,674,272	187,601,102	(1,926,830)	-1.03%
TOTAL OPERATING REVENUE	1,021,464,375	970,371,138	51,093,237	5.27%
OPERATING EXPENSES:				
Contractual services	288,612,347	266,583,521	22,028,826	8.26%
Other operating expenses	58,029,464	50,852,889	7,176,575	14.11%
TOTAL OPERATING EXPENSES	346,641,811	317,436,410	29,205,401	9.20%
OPERATING INCOME	674,822,564	652,934,728	21,887,836	3.35%

	2023	2022	Increase (Decrease)	Percent Change
NONOPERATING REVENUE (EXPENSES):				
Investment income	2,465,672	(100,369)	2,566,041	2556.61%
Interest expense, net	(2,075,476)	(1,991,976)	(83,500)	4.19%
Lease and subscription interest expense	(1,917,008)	(1,791,228)	(125,780)	7.02%
Change in mark-to-market of interest rate swaps	1,776,714	4,905,959	(3,129,245)	-63.78%
Loss on disposal of property and equipment	2,000	(75,982)	77,982	102.63%
Gain on lease termination	81,686	-	81,686	100.00%
Rental revenue	1,017,357	938,547	78,810	8.40%
Federal assistance revenue	-	9,478,720	(9,478,720)	-100.00%
NET NONOPERATING REVENUE	1,350,945	11,363,671	(10,012,726)	-88.11%
INCREASE IN NET POSITION BEFORE TRANSFERS	676,173,509	664,298,399	11,875,110	1.79%
TOTAL TRANSFERS	(699,751,942)	(655,038,536)	(44,713,406)	6.83%
INCREASE (DECREASE) IN NET POSITION	$ (23,578,433)	$ 9,259,863	$ (32,838,296)	-354.63%

Current year revenues were less than operating expenses and transfers resulting in a decrease in net position for the current year of $23.6 million.

Operating Revenue: Total operating revenue for the current year was $1 billion. Professional fees from direct patient care are the most significant source of revenue representing $601.3 million or 58.9% of the total operating revenue.

Table 7 - Professional Fees from Direct Patient Care

	2023	2022	Increase (Decrease)	Percent Change
Charges	$ 2,098,223,142	$ 1,981,537,699	$ 116,685,443	5.89%
Contractual adjustments	(1,465,701,340)	(1,386,745,948)	(78,955,392)	5.69%
Provision for bad debt	(31,211,263)	(24,479,784)	(6,731,479)	27.50%
Net direct charges from patient care	$ 601,310,539	$ 570,311,967	$ 30,998,572	5.44%

Professional fees from direct patient care increased $31 million or 5.4% during the 2023 fiscal year when compared to the prior year. Total charges increased $116.7 million or 5.9%. The increased charges were primarily the result of increased volume that was evidenced by an increase in WRVUs of 6% and patient visits of 1.5%.

Contractual adjustments increased $79 million or 5.7%. Contractual adjustments as a percentage of charges decreased .1% to 69.9% compared to the prior year.

Provision for bad debt increased $6.7 million or 27.5%. Provision for bad debt as a percentage of charges was 1.5% in the current and 1.2% in the prior year.

Professional fees from indirect patient care of $234.5 million increased $22 million or 10.4% during the 2023 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 $346.6 million. Operating expenses increased $29.2 million or 9.2% when compared to the prior year. The contractual services expense of $288.6 million (83.3% of total operating expenses) is the most significant operating expense. This expense increased $22 million or 8.3% from the prior year. Other operating expenses increased $7.2 million or 14.1% in the current year.

The largest contractual services expense was for payments to the State of Florida's Agency for Health Care Administration totaling $123.5 million an increase of $3 million or 2.5% over the prior 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 $101.9 million an increase of $16.1 million or 18.7% over the prior fiscal year. The increase is attributed to additional costs associated with growth and raises for Shands' employees.

Other operating expenses were $58 million and increased $18.7 million or 14.1% 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 5.7% in the current fiscal year and 5.2% in the prior fiscal year.

Nonoperating Revenue (Expenses): Total nonoperating revenue (net of expenses) for the current year was $1.4 million compared to $11.4 million in the prior fiscal year. This resulted in a decrease of $10 million. The primary source of the decrease was last year's federal assistance revenue of $9.5 million (net of a $8.5 million provision) that was recognized and zero this fiscal year. 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 up $2.6 million and the fair value of the mark-to-market interest rate swaps decreased $3.1 million.

The $2.6 million increase in Investment income was primarily due to higher interest rates on investments and cash balances and an increase in the fair market value of the FCPA's investment portfolio resulting from a more favorable financial market and the $3.1 million decrease in the fair market value of the FCPA's mark-to-market interest rate swaps was a result of an unfavorable market for the swaps

Transfers: Transfers increased $44.7 million or 6.8% to $700 million during the 2023 fiscal year. Approximately $14.4 million or 2.2% was due to growth in the Regional Network initiative which started during the second half of fiscal year 2021. Payroll expense funding made up $6.9 million of this increase in transfers for Regional Network expenses. In addition, payroll funding needs (excluding Regional Programs) increased $22.0 million or 4.8%, of which $9.3 million was in faculty salaries and benefits. The increase in faculty salaries and benefits was mostly due to additional pay, equity and market adjustments that were made to retain employees due to labor market pressures. In addition, the University implemented a 3% salary increase program, effective

October 2022. This was an effort by the University to address market equity issues for personnel. OPS earnings (excluding Regional Physicians Program) increased by $10.2 million. In addition to raises, OPS payroll increased as a result of additional pay and moonlighting expenses in clinical departments. These payments were necessary due to staffing shortages and the need to fulfill clinical obligations. Anesthesiology, Emergency Medicine, Radiology and Medicine Hospitalist Program are some of the specialties with significant increases. Except for Housestaff and Other OPS/Temporary Faculty rates, all other Fringe Benefit Pool rates increased over the prior year, further driving up the high payroll costs. The largest rate increase impacting FCPA funded salaries was the Clinical Faculty Fringe rate which went from 18.3% to 19.6%, a 7.1% increase over last year. Included in the salary numbers is approximately $3 million of earned faculty incentives from the prior year that was not charged to FY22.

The full impact of the high payroll cost is not reflected in the FCPA transfers. This is because the College of Medicine embarked on an effort to appropriately use other fund sources to cover Educational and Research payroll expenses that would otherwise be supported with FCPA transfers during the final quarter of the year. Transfers to cover non-salary expenses increased by approximately $14.9 million or 20.2%, as expenses increased to pre-pandemic levels. There were significant increases in most expense categories as this was the first full year of pre-pandemic operational activity since FY 2019. This was compounded by the inflationary impacts on the cost of goods and services. Notable increases were seen in contractual services, travel, food & entertainment, tuition and operating capital. Approximately $5.8 million of the increase was in the Regional Programs, driven by the use of locums, especially in Anesthesiology Daytona and Central Florida Health. Contractual services increased $7.8 million, of which $6.0 million was in Anesthesiology. This increase was mostly due to use of locums. Due to the shortage of CRNA's typically contracted through the FCPA with Shands, the department utilized locums through the University at a premium, to staff Shands, Central Florida Health, and Halifax. Radiology also experienced similar issues causing their use of locums to increase by $1.3 million over the prior year. The College of Medicine transferred approximately $8.0 million, from FCPA to other University funds as additional support for education and research. This includes $2.3 million for renovation of space.

Table 8 - Operational Key Indicators

	2023	*2022*	*Increase (Decrease)*	*Percent Change*
WRVUs	6,048,130	5,703,492	344,638	6.04%
Patient visits	1,283,760	1,264,484	19,276	1.52%

Table 9 - Condensed Statements of Cash Flows

	2023	2022	Increase (Decrease)	Percent Change
CASH PROVIDED BY (USED IN):				
Operating activities	$ 691,638,879	$ 671,459,332	$ 20,179,547	3.01%
Noncapital financing activities	(698,905,875)	(654,216,289)	(44,689,586)	6.83%
Capital and related financing activities	(21,013,698)	(16,001,789)	(5,011,909)	31.32%
Investing activities	2,793,817	190,758	2,603,059	1364.59%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,486,877)	1,432,012	(26,918,889)	-1879.79%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	52,029,663	50,597,651	1,432,012	2.83%
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 26,542,786	$ 52,029,663	$ (25,486,877)	-48.99%

Total cash and cash equivalents decreased by $25.5 million in the current year.

Funds From Operating Activities: Cash provided by operating activities of $691.6 million was $20.2 million or 3% more than cash provided by operating activities in the prior fiscal year. The major source of operating funds was receipts from and on behalf of patients of $833.2 million, an increase of $27.3 million or 3.4% from the prior year. The largest category of payments from operating funds was payments to contractors of $288.6 million, which increased $22.1 million or 8.3% from the prior year. Payment to suppliers and other were up $3.7 million.

Funds From Noncapital Financing Activities: Cash used in noncapital financing activities of $698.9 million was $44.7 million or 6.8% 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 $2.8 million. In the prior year, cash provided by investing activities was $.2 million. The increase of cash provided of $2.6 million from the prior year is primarily due to an additional $1 million in interest and dividend income in the current year and $1.6 million received this year for a distribution from UF Health South Central, LLC investment. We did not receive a distribution last fiscal year.

Funds From Capital and Related Financing Activities: Cash used in capital and related financing activities was $21 million for fiscal year 2023 compared to $16 million cash used in financing activities for fiscal year 2022. The comparative increase is $5 million. The largest use of funds for capital and related financing activities in the current year was $8.7 million for long-term debt principal payments.

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 $12.6 million and $11.7 million in 2023 and 2022 respectively from the Program. Fiscal year 2022 LIP revenue included a provision of $1.1 million established to cover potential over payment to the College of Medicine 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 1.2% of the FCPA's total operating revenue for fiscal year 2023 and 2022. The program is projected to continue throughout fiscal year 2024.

In fiscal year 2023, the FCPA received 31.7% 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 year 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. In fiscal year 2022 we saw a rise in transmissions causing UF Health to implement another elective surgery cancellation order in early August 2021. This wave did not have a significant negative impact on the patient revenue stream. The indirect but lasting impact of the pandemic is the effect on the supply and labor costs. Like most in the industry, the FCPA is grappling with how to deal with these challenges.

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

CONTACTING THE FCPA'S FINANCIAL MANAGEMENT

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

Financial Statements

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Net Position

	June 30, 2023	June 30, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ **26,542,786**	$ 52,029,663
Investments	**32,121,188**	29,871,363
Patient accounts receivable, net of estimated contractual adjustments and uncollectible accounts of $129,066,586 in 2023 and $133,289,670 in 2022	**98,380,928**	95,798,094
Interest receivable	**50,533**	23,615
Due from affiliates	**7,686,296**	24,191,139
Other receivables	**11,756,558**	7,326,955
Lease receivable	**735,450**	617,683
Other assets	**1,800**	1,800
TOTAL CURRENT ASSETS	**177,275,539**	209,860,312
NON-CURRENT ASSETS:		
Long-term investments	**-**	987,480
Lease receivable, non-current portion	**13,117,674**	11,404,248
Investment in UF Health South Central, LLC	**4,848,257**	6,443,246
TOTAL NON-CURRENT ASSETS	**17,965,931**	18,834,974
CAPITAL ASSETS:		
Property and equipment, net	**80,464,474**	82,640,856
Right-of-use lease assets, net	**95,846,004**	95,614,647
Right-of-use subscription assets, net	**2,330,886**	2,879,793
Facilities entitlements, net	**115,112**	411,505
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION	**178,756,476**	181,546,801
OTHER ASSETS:		
Estimated fair value of interest rate swaps	**2,922,091**	1,145,377
Deposits	**45,334**	45,484
TOTAL OTHER ASSETS	**2,967,425**	1,190,861
TOTAL ASSETS	$ **376,965,371**	$ 411,432,948

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Net Position - Continued

	June 30,	
	2023	2022
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	**$ 23,980,301**	$ 28,180,660
Current portion of long-term debt	**3,700,966**	8,733,691
Deferred revenue - Note N	**8,401,949**	8,401,949
Lease liabilities	**5,773,274**	5,625,045
Subscription liabilities	**586,711**	587,212
Unearned revenue	**206,293**	307,728
CURRENT LIABILITIES	**42,649,494**	51,836,285
OTHER LIABILITIES:		
Long-term debt, less current portion	**67,161,360**	70,862,327
Lease liabilities, less current portion	**92,532,336**	91,644,714
Subscription liabilities, less current portion	**1,774,402**	2,345,732
TOTAL LIABILITIES	**204,117,592**	216,689,058
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflow of resources - leases	**13,480,954**	11,798,632
DEFERRED INFLOWS OF RESOURCES	**13,480,954**	11,798,632
COMMITMENTS AND CONTINGENCIES - Notes G and K		
NET POSITION:		
Net investment in capital assets	**7,112,315**	1,336,575
Unrestricted	**152,254,510**	181,608,683
TOTAL NET POSITION	**159,366,825**	182,945,258
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 376,965,371**	$ 411,432,948

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Revenue, Expenses and Changes in Net Position

	Year Ended June 30, 2023	2022
OPERATING REVENUE:		
Direct revenue from patient care (net of estimated contractual allowances and discounts)	**$ 632,521,802**	$ 594,791,751
Estimated provision for bad debts	**(31,211,263)**	(24,479,784)
Net direct revenue from patient care less estimated provision for bad debts	**601,310,539**	570,311,967
Indirect revenue from patient care	**234,479,564**	212,458,069
TOTAL NET PATIENT SERVICE REVENUE	**835,790,103**	782,770,036
Other revenue	**185,674,272**	187,601,102
TOTAL OPERATING REVENUE	**1,021,464,375**	970,371,138
OPERATING EXPENSES:		
Contractual services	**288,612,347**	266,583,521
Insurance	**3,603,202**	3,492,004
Depreciation and amortization	**5,255,253**	6,078,177
Right-of-use asset amortization	**7,685,455**	7,053,184
Operating supplies	**28,405,768**	20,259,214
Occupancy expenses	**3,746,334**	3,729,696
Printing and reproduction	**125,494**	113,775
Dues and subscriptions	**1,272,474**	1,523,639
Food and entertainment	**103,759**	118,641
Repairs and maintenance	**4,418,736**	5,204,290
Travel	**243,674**	134,328
Advertising	**1,328,666**	1,239,874
Telephone, freight, and postage	**1,824,274**	1,771,737
Other	**16,375**	134,330
TOTAL OPERATING EXPENSES	**346,641,811**	317,436,410
OPERATING INCOME	**674,822,564**	652,934,728
NONOPERATING REVENUE (EXPENSES):		
Investment income (loss)	**2,465,672**	(100,369)
Interest expense, net	**(2,075,476)**	(1,991,976)
Lease and subscription interest expense	**(1,917,008)**	(1,791,228)
Change in mark-to-market of interest rate swaps	**1,776,714**	4,905,959
Gain (loss) on disposal of property and equipment	**2,000**	(75,982)
Gain on lease termination	**81,686**	-
Rental revenue	**1,017,357**	938,547
Federal assistance revenue - Note N	**-**	9,478,720
NET NONOPERATING REVENUE	**1,350,945**	11,363,671

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

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

	Year Ended June 30,	
	2023	***2022***
INCREASE IN NET POSITION BEFORE TRANSFERS	**676,173,509**	664,298,399
TRANSFERS:		
Transfers to the University of Florida College of Medicine	**(691,790,521)**	(644,457,599)
Transfers to others	**(7,961,421)**	(10,580,937)
TOTAL TRANSFERS	**(699,751,942)**	(655,038,536)
(DECREASE) INCREASE IN NET POSITION	**(23,578,433)**	9,259,863
NET POSITION, BEGINNING OF YEAR	**182,945,258**	173,685,395
NET POSITION, END OF YEAR	**$ 159,366,825**	$ 182,945,258

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Cash Flows

	Year Ended June 30, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on behalf of patients	**$ 833,207,269**	$ 805,930,351
Other receipts	**197,749,512**	179,101,102
Payments to contractors	**(288,612,347)**	(266,467,587)
Payments to suppliers and others	**(50,689,180)**	(46,970,204)
Other	**(16,375)**	(134,330)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**691,638,879**	671,459,332
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to the University of Florida College of Medicine	**(691,790,521)**	(644,457,599)
Transfers to others	**(7,961,421)**	(10,580,937)
Other nonoperating receipts	**846,067**	822,247
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	**(698,905,875)**	(654,216,289)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	**(1,447,110)**	(2,065,009)
Proceeds from the sale of property and equipment	**2,000**	-
Principal payments on lease and subscription liabilities	**(6,842,412)**	(6,245,636)
Principal payments on long-term debt	**(8,733,692)**	(3,908,825)
Interest paid - lease and subscription liabilities	**(1,917,008)**	(1,790,343)
Interest paid - long-term debt	**(2,075,476)**	(1,991,976)
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(21,013,698)**	(16,001,789)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends received	**1,198,828**	190,758
Capital distribution from UF Health South Central LLC investment	**1,594,989**	-
CASH PROVIDED BY INVESTING ACTIVITIES	**2,793,817**	190,758
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(25,486,877)**	1,432,012
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**52,029,663**	50,597,651
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 26,542,786**	$ 52,029,663

FLORIDA CLINICAL PRACTICE ASSOCIATION, INC.

Statements of Cash Flows - Continued

	Year Ended June 30, 2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	**$ 674,822,564**	$ 652,934,728
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**12,940,708**	13,131,361
Increase (decrease) in cash due to changes in:		
Accounts receivable, net	**(2,582,834)**	(972,450)
Due from affiliates	**16,504,843**	(7,691,945)
Other receivables	**(4,429,603)**	23,377,468
Other assets	**150**	-
Accounts payable and accrued expenses	**(5,515,514)**	2,706,890
Third-party advanced payments	**-**	(11,436,508)
Unearned revenue	**(101,435)**	(590,212)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 691,638,879**	$ 671,459,332
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset additions included in accounts payable	**$ 1,491,872**	$ 156,504
Capital assets obtained through lease and subscription liabilities	**$ 7,367,905**	$ 8,101,732

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.

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 (expenses). The cost of securities sold is determined by the specific identification method, with net realized gains and losses being reported in nonoperating revenue (expenses) as a component of investment income (loss).

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

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

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

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

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

Lease Liabilities and Right-of-Use Lease 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.

Subscription Liabilities and Right-of-Use Subscription Assets: The present value of agreement payments is recorded as a subscription 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 agreement 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 subscription liability plus any implementation 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 and subscription 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, 2023 and 2022.

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

Income Taxes: The FCPA is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements. There were no uncertain tax positions. Tax returns for the years ended June 30, 2020 through 2023 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 Adopted Accounting Pronouncements: In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which requires balance sheet recognition of a liability and right-to-use subscription asset. The subscription liability is measured at the present value of payments made during the agreement term. In later periods, the agreement holder should amortize the discount of the subscription liability and report it as an outflow of resources (interest expense) for the period. The subscription asset is measured as the sum of the amount of the initial measurement of the subscription liability, payments made at/before the beginning of the agreement term, and any implementation costs. The subscription asset is amortized over the agreement term and is reported as an amortization expense. The Statement requires a disclosure of the general description of the SBITA arrangements within the footnotes to the financial statements. For SBITA's 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, 2022; early adoption is permitted. Management adopted this Statement effective July 1, 2021.

Impact on Previously Reported Results: The provisions of GASB Statement No. 96 do not materially impact the amount of expense the FCPA recognizes. The primary impact of adopting the new standard is the recognition of right-of-use subscription assets and corresponding subscription liabilities.

The following table presents a recast of selected Statement of Net Position items as of June 30, 2022, after giving effect to the adoption of GASB Statement No. 96:

	As Previously Reported	*Adjustments*	*As Adjusted*
ASSETS			
Right-of-use subscription assets, net	$ -	$ 2,879,793	$ 2,879,793
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses	$ 28,117,877	$ 62,783	$ 28,180,660
Current portion of subscription liabilities	-	587,212	587,212
Subscription liabilities, less current portion	-	2,345,732	2,345,732
Net assets- Net investment in capital assets	1,389,726	(53,151)	1,336,575
Net assets- Unrestricted	181,671,466	(62,783)	181,608,683

The following table presents a recast of selected Statement of Revenue, Expenses and Change in Net Position items for the year ended June 30, 2022, after giving effect to the adoption of GASB Statement No. 96:

	As Previously Reported	*Adjustments*	*As Adjusted*
OPERATING EXPENSES			
Contractual services	$ 267,095,597	$ (512,076)	$ 266,583,521
Right-of-use asset amortization	6,488,350	564,834	7,053,184
NON-OPERATING EXPENSES			
Interest expense, net	$ (3,720,028)	$ (63,176)	$ (3,783,204)

The following table presents a recast of selected Statement of Cash Flows items for the year ended June 30, 2022, after giving effect to the adoption of GASB Statement No. 96:

	As Previously Reported	*Adjustments*	*As Adjusted*
STATEMENTS OF CASH FLOWS			
Payments to contractors	$ (267,095,597)	$ 628,010	$ (266,467,587)
Principal payments on lease and subscription liabilities	(5,680,802)	(564,834)	(6,245,636)
Interest paid - lease and subscription liabilities	(1,727,167)	(63,176)	(1,790,343)
Depreciation and amortization	12,566,527	564,834	13,131,361
Other receivables	23,324,710	52,758	23,377,468
Accounts payable and accrued expenses	2,643,714	63,176	2,706,890

Reclassifications: Certain reclassifications have been made to the 2022 amounts to conform to the 2023 presentation.

NOTE C--INVESTMENTS

The FCPA had the following investments as of June 30, 2023 and 2022:

Investments	*Maturities*	*Call Options*	*Fair Value* 2023	*Fair Value* 2022
HSBC USA Inc.	04/17/2024	Non Call	$ 991,769	$ 987,480
Vanguard S-T Corp Fund	N/A	N/A	4,067,925	4,004,656
Vanguard Dividend Growth Fund	N/A	N/A	11,212,203	10,124,075
TD Wealth Sweep Program	N/A	N/A	15,849,291	15,742,632
	Total		$ 32,121,188	$ 30,858,843

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, 2023 are as follows:

		Investment Maturities (in Years)			
Types of Investments	*Fair Value*	*Less than 1*	*1-5*	*6-10*	*More than 10*
Commercial Bonds and Notes	$ 991,769	$ 991,769	$ -	$ -	$ -
TD Wealth Sweep Program	15,849,291	15,849,291	-	-	-
Stock Mutual Fund	11,212,203	11,212,203	-	-	-
Bond Mutual Fund	4,067,925	4,067,925	-	-	-
TOTAL	$ 32,121,188	$ 32,121,188	$ -	$ -	$ -

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, 2023, the FCPA had investments with quality ratings by nationally recognized rating agencies (i.e., Moody's Investor Service and Standard and Poor's Rating Agency) as follows:

Types of Investments	*Fair Value*	*AAA/Aaa*	*AA/Aa*	*Aa3*	*Less than A/Ba or Not Rated*
Commercial Bonds and Notes	$ 991,769	$ -	$ -	$ 991,769	$ -
Bond Mutual Fund	4,067,925	-	-	4,067,925	-
TOTAL	$ 5,059,694	$ -	$ -	$ 5,059,694	$ -

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, 2023 as follows:

Issuer		*Fair Value*	*% Total*
HSBC USA Inc.	$	991,769	3.1%
Vanguard Dividend Growth Fund		11,212,203	34.9%
Vanguard S-T Corp Fund		4,067,925	12.7%
TD Wealth Sweep Program		15,849,291	49.3%
TOTAL	$	32,121,188	100.0%

The changes in fair value of investments for the years ended June 30, 2023 and 2022, are as follows:

		2023		*2022*
Fair value at end of year	$	32,121,188	$	30,858,843
Less: Cost of investments purchased		(106,658)		(31,573)
Less: Reinvested dividends		(470,299)		(907,425)
Less: Fair value at beginning of year		(30,858,843)		(31,149,970)
Change in fair value of investments	$	685,388	$	(1,230,125)

At June 30, 2023 and 2022, the FCPA had $3,735,934 and $2,457,090, respectively, of deposits in sweep accounts with financial institutions. These deposits were insured by the Federal Deposit Insurance Corporation coverage limit standard insurance amount of $250,000 per depositor, per insured bank, for each account ownership category. The FCPA does not have a deposit policy.

Investment in UF Health South Central, LLC (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, 2023.

Assets	$	9,852,924
Liabilities	$	156,412
Net position	$	9,696,512
Net gain	$	-

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

Net patient service revenue is derived principally from professional fees generated by the faculty of the College of Medicine from treating patients. Net patient service revenue is classified into two components. The first component, direct revenue from patient care, is revenue from professional fees charged to individual patients and funded through third party payers and private patient payments based on established reimbursement rates. The second component of net patient service revenue is indirect revenue from patient care professional services performed, which is not funded by healthcare managed care or health maintenance organizations (HMO). The indirect revenue from patient care is not based on established reimbursement rates from third party payers. Indirect revenue from patient care services is based on negotiated contracts with sponsoring organizations to receive professional services at negotiated fees for the sponsoring organization's members. A reconciliation of the net patient service revenue and amounts of services provided to patients at established rates to direct revenue from patient care, as presented in the statements of revenue, expenses, and changes in net position is as follows:

	Year Ended June 30,	
	2023	***2022***
Gross direct charges from patient care	$ 2,098,223,142	$ 1,981,537,699
Less: Contractual adjustments	(1,465,701,340)	(1,386,745,948)
Estimated provision for bad debts	(31,211,263)	(24,479,784)
Total direct revenue from patient care	601,310,539	570,311,967
Indirect revenue from patient care	234,479,564	212,458,069
Total net patient service revenue	$ 835,790,103	$ 782,770,036

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

	Year Ended June 30,	
	2023	***2022***
Third-party payers	$ 507,960,454	$ 473,208,897
Patients, including self-insured	64,734,434	61,060,572
Medicaid Enhanced Payment Program	59,826,914	60,522,282
	$ 632,521,802	$ 594,791,751

Contractual adjustments for 2023 and 2022 include approximately $47,792,000 and $48,133,000, 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 receivables 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, 2023 and 2022, includes $59,826,914 and $60,522,282, respectively, related to the Program. Net patient accounts receivable at June 30, 2023 and 2022, includes $57,300,552 and $55,226,277, respectively, in expected future payments under the Program.

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

Low Income Pool (LIP): During 2018, the FCPA began receiving funding under the LIP program which is a federal matching program that provides federal funds to Florida health care providers to cover costs for the state's most vulnerable patients. Medical school physician practices are eligible under this program. Funding for the LIP program comes from intergovernmental transfers (IGT) and federal matching funds. IGTs are transfers of funds to the Agency for Health Care Administration from non-Medicaid governmental entities. IGT funds are then used to draw down federal matching funds and payments are made to eligible providers. Providers are encouraged to contribute funds to ensure maximum payments from the LIP program. Net patient service revenue for the years ended June 30, 2023 and 2022, includes $12,623,198 and $11,688,045, respectively, related to the program. There were no amounts due under the LIP program as of June 30, 2023 and 2022.

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

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

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

	As of June 30,	
	2023	*2022*
Patient accounts receivable based on established charges	$ 227,447,514	$ 229,087,764
Estimated contractual adjustments	(121,199,999)	(126,487,618)
Estimated allowance for uncollectible accounts	(7,866,587)	(6,802,052)
Patient accounts receivable, net	$ 98,380,928	$ 95,798,094

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

	As of June 30,	
	2023	*2022*
Insurance carriers under commercial and managed care plans	$ 26,086,477	$ 24,321,831
Medicare	9,558,686	10,397,354
Medicaid	3,019,139	3,276,292
Patients, including self-insured	1,283,784	1,090,396
Other	1,132,290	1,485,944
Medicaid Enhanced Payment Program and Low Income Pool Program	57,300,552	55,226,277
	$ 98,380,928	$ 95,798,094

The activity relating to the estimated allowance for uncollectible accounts for the years ended June 30, 2023 and 2022, is summarized as follows:

		2023		*2022*
Beginning balance	$	6,802,052	$	6,412,127
Provision		31,211,263		24,479,784
Charge-offs		(30,146,728)		(24,089,859)
Ending balance	$	7,866,587	$	6,802,052

FCPA's estimated allowance for uncollectible accounts increased from the year ended June 30, 2022, to the year ended June 30, 2023, 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, 2023.

The FCPA provided uncompensated care with gross charges of approximately $112,795,000 and $108,214,000 in 2023 and 2022, respectively. Included in the uncompensated care amounts are approximately $24,550,000 and $24,569,000 in charges foregone identified as charity care, in accordance with the FCPA's charity care policy, in 2023 and 2022, respectively. The estimated direct and indirect cost of providing these services totaled approximately $7,124,000 and $7,086,000 in 2023 and 2022, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated under a reasonable and systematic approach.

NOTE E--CAPITAL ASSETS

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

	Balance at June 30, 2022	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2023*
Property and equipment:					
Building	$ 70,248,920	$ -	$ -	$ -	$ 70,248,920
Land	1,648,523	-	-	-	1,648,523
Leasehold improvements	23,868,665	198,493	-	-	24,067,158
Furniture, equipment and computers	29,493,162	1,170,233	74,053	-	30,589,342
Intangible asset	750,000	-	750,000	-	-
Total property and equipment	126,009,270	1,368,726	824,053	-	126,553,943
Accumulated depreciation and amortization:					
Building	13,132,002	1,859,015	-	-	14,991,017
Leasehold improvements	5,725,911	1,126,397	-	-	6,852,308
Furniture, equipment and computers	23,760,501	1,973,447	74,053	-	25,659,895
Intangible asset	750,000	-	750,000	-	-
Total accumulated depreciation and amortization	43,368,414	4,958,859	824,053	-	47,503,220
	82,640,856	(3,590,133)	-	-	79,050,723
Capital assets in progress	-	1,413,751	-	-	1,413,751
Total property and equipment, net	$ 82,640,856	$ (2,176,382)	$ -	$ -	$ 80,464,474

	Balance at June 30, 2021	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2022*
Property and equipment:					
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 property and equipment	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 property and equipment, net	$ 87,202,582	$ (4,485,744)	$ 75,982	$ -	$ 82,640,856

There were $1,413,751 of capital assets in progress as of June 30, 2023. Cost to complete assets in progress are estimated at $23,500 and consists of one stream reporting enhancements.

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

	Balance at June 30, 2022	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2023*
Right-of-use lease assets:					
Non-affiliate	$ 69,409,968	$ 5,549,378	$ 1,039,440	$ -	$ 73,919,906
Affiliate	37,203,529	4,640,484	2,380,718	-	39,463,295
Equipment	1,607,617	101,986	-	-	1,709,603
Total right-of-use lease assets	108,221,114	10,291,848	3,420,158	-	115,092,804
Accumulated amortization:					
Non-affiliate	7,377,546	3,947,547	198,057	-	11,127,036
Affiliate	4,798,150	2,827,487	274,505	-	7,351,132
Equipment	430,771	337,861	-	-	768,632
Total accumulated amortization	12,606,467	7,112,895	472,562	-	19,246,800
Total right-of-use lease assets, net	$ 95,614,647	$ 3,178,953	$ 2,947,596	$ -	$ 95,846,004

	Balance at June 30, 2021	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2022*
Right-of-use lease assets:					
Non-affiliate	$ 67,784,947	$ 1,625,021	$ -	$ -	$ 69,409,968
Affiliate	35,214,639	1,988,890	-	-	37,203,529
Equipment	564,422	1,043,195	-	-	1,607,617
Total right-of-use lease assets	103,564,008	4,657,106	-	-	108,221,114

	Balance at June 30, 2021	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2022*
Accumulated amortization:					
Non-affiliate	3,535,510	3,842,036	-	-	7,377,546
Affiliate	2,390,788	2,407,362	-	-	4,798,150
Equipment	191,819	238,952	-	-	430,771
Total accumulated amortization	6,118,117	6,488,350	-	-	12,606,467
Total right-of-use lease assets, net	$ 97,445,891	$ (1,831,244)	$ -	$ -	$ 95,614,647

FCPA has recorded right-of-use assets in accordance with 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.

A summary of right-of-use subscription assets and schedule of activity is as follows:

	Balance at June 30, 2022	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2023*
Right-of-use subscription assets:					
Non-affiliate	$ 3,420,203	$ -	$ -	$ -	$ 3,420,203
Affiliate	24,423	23,652	-	-	48,075
Total right-of-use subscription assets	3,444,626	23,652	-	-	3,468,278
Accumulated amortization:					
Non-affiliate	558,320	560,790	-	-	1,119,110
Affiliate	6,513	11,769	-	-	18,282
Total accumulated amortization	564,833	572,559	-	-	1,137,392
Total right-of-use subscription assets, net	$ 2,879,793	$ (548,907)	$ -	$ -	$ 2,330,886

	Balance at June 30, 2021	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2022*
Right-of-use subscription assets:					
Non-affiliate	$ -	$ 3,420,203	$ -	$ -	$ 3,420,203
Affiliate	-	24,423	-	-	24,423
Total right-of-use subscription assets	-	3,444,626	-	-	3,444,626
Accumulated amortization:					
Non-affiliate	-	558,320	-	-	$ 558,320
Affiliate	-	6,513	-	-	6,513
Total accumulated amortization	-	564,833	-	-	564,833
Total right-of-use subscription assets, net	$ -	$ 2,879,793	$ -	$ -	$ 2,879,793

FCPA has recorded right-of-use subscription assets as a result of implementing GASB Statement No. 96. The right-of-use subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any payments made prior to the agreement term, less any incentives, plus any implementation costs that can be capitalized. The right-of-use subscription assets are amortized on a straight-line basis over the life of the related lease. Further discussion regarding the related subscription liabilities can be found in Note G.

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 $296,000 and $441,000 for each of the years ended June 30, 2023 and 2022, respectively.

NOTE F--LONG-TERM DEBT

Activity in long-term debt for the years ended June 30, 2023 and 2022, are as follows:

	Balance at June 30, 2022	*Issuances*	*Retirements*	*Balance at June 30, 2023*	*Amounts Due Within One Year*
Direct borrowings:					
2013 Notes Payable	$ 5,097,685	$ -	$ (5,097,685)	$ -	$ -
Health Facilities Revenue Bonds, Series 2012 refinanced with Series 2022	17,918,369	-	(1,306,123)	16,612,246	1,306,122
Health Facilities Revenue Bond, Series 2017	29,004,964	-	(1,062,884)	27,942,080	1,089,844
Health Facilities Revenue Bond, Series 2019	27,575,000	-	(1,267,000)	26,308,000	1,305,000
Total Long-Term Debt	$ 79,596,018	$ -	$ (8,733,692)	$ 70,862,326	$ 3,700,966

	Balance at June 30, 2021	*Issuances*	*Retirements*	*Balance at June 30, 2022*	*Amounts Due Within One Year*
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	$ 83,504,843	$ -	$ (3,908,825)	$ 79,596,018	$ 8,733,691

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, matured in August 2022 and bore 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% at June 30, 2022. 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 were required through maturity at which time all outstanding principal and interest was 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 at maturity.

During 2013, the Alachua County Health Facilities Authority (the Authority) issued $32,000,000 of tax-exempt Health Facilities Revenue Bonds, Series 2012 (the Series 2012 Bonds) and loaned the proceeds to the FCPA to finance a clinic location. Based on a Financing Agreement dated August 1, 2012, between the Authority, the FCPA and TD Bank, N.A. (the Bondholder), the FCPA is responsible for the repayment of the proceeds from the Series 2012 Bonds and is required to make debt payments directly to the Bondholder. The redemption of the Series 2012 Bonds is provided for by monthly principal payments of $108,844 which began in April 2013 and ends March 2036. The Series 2012 Bonds require monthly interest payments based on a variable rate which is calculated as 75% of the Adjusted one-month LIBOR Rate plus 110 basis points. The variable rate was 1.62% at June 30, 2022. During 2023, the Series 2012 Bonds were refinanced with Series 2022 Bonds for the same original purpose in the amount of $17,591,836. Monthly principal payments of $108,844, began October 1, 2022, continuing 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. During the year ended June 30, 2022, the Series 2017 Bond required a monthly interest payment based on a variable rate of 69.75% of the Adjusted one-month LIBOR Rate plus 89 basis points. During the year ended June 30, 2023, the Series 2017 Bond was amended and requires a monthly interest payment based on a variable rate of 69.75% of Term Secure Overnight Financing Rate (SOFR) reference rate plus 66.15 basis points. The variable rate was 5.18% and 1.65% at June 30, 2023 and 2022, 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. During the year ended June 30, 2022, the Series 2019 Bond required a monthly interest payment based on a variable rate of 81.5% of the Adjusted one-month LIBOR Rate plus 65.2 basis points. During the year ended June 30, 2023, the Series 2019 Bond was amended and requires a monthly interest payment based on a variable rate of 81.5% of Term SOFR reference rate plus 70.6 basis points. The variable rate was 4.91% and 1.52% at June 30, 2023 and 2022, 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 2022 Bonds, Series 2019 Bond, and the Series 2017 Bond. The Series 2022 Bonds, Series 2019 Bond, the 2017 Bond have the same restrictive covenants, and all were financed by the Bondholder. Among other things, the FCPA is restricted as to additional borrowings or liens on property, mergers and acquisitions, and sale of assets. In addition, FCPA is required to maintain liquid assets (cash, cash equivalents and short-term marketable securities) with a fair value of at least $10,000,000 and maintain a debt service coverage ratio of 1.25. Certain terms were amended as it relates to the covenants and were effective as of June 30, 2023. The amendment includes a provision that in the event the FCPA is not in compliance with the debt service coverage ratio of 1.25, it is not considered an event of default if Shands is in compliance with a debt service coverage ratio of at least 1.10. The FCPA was in compliance with these restrictive covenants as amended at June 30, 2023. The Series 2022 Bonds, Series 2019 Bond, and the series 2017 Bond 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 Bond. 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 30, 2023, are as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2024	$ 3,700,966	$ 3,301,444	$ 7,002,410
2025	3,768,609	3,129,717	6,898,326
2026	3,835,955	2,958,146	6,794,101
2027	3,906,018	2,783,106	6,689,124
2028	3,979,818	2,607,286	6,587,104
2029 - 2033	21,060,241	10,209,759	31,270,000
2034 - 2038	20,227,573	5,249,134	25,476,707
2039 - 2043	10,383,146	1,327,165	11,710,311
	$ 70,862,326	$ 31,565,757	$ 102,428,083

NOTE G--LEASE AND SUBSCRIPTION 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 assets are discussed in more detail in Note E.

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

	Balance at June 30, 2022	*Additions*	*Reductions*	*Terminations*	*Balance at June 30, 2023*	*Amount Due Within One Year*
Non-affiliate property	$ 63,021,594	$ 5,549,378	$ 3,471,890	$ 898,715	$ 64,200,367	$ 3,280,911
Affiliate property	33,153,184	4,640,484	2,394,340	2,130,567	33,268,761	2,176,134
Non-affiliate equipment	1,094,981	101,986	360,485	-	836,482	316,229
Total lease liabilities	$ 97,269,759	$ 10,291,848	$ 6,226,715	$ 3,029,282	$ 98,305,610	$ 5,773,274

	Balance at June 30, 2021	*Additions*	*Reductions*	*Terminations*	*Balance at June 30, 2022*	*Amount Due Within One Year*
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

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

Year Ending June 30,	*Principal Payments*	*Interest Payments*	*Total*
2024	$ 5,773,274	$ 1,951,901	$ 7,725,175
2025	5,731,062	1,872,652	7,603,714
2026	5,377,770	1,743,328	7,121,098
2027	5,234,432	1,637,433	6,871,865
2028	5,190,542	1,534,208	6,724,750
2029-2033	20,227,568	6,281,253	26,508,821
2034-2038	14,633,133	4,634,123	19,267,256
2039-2043	11,094,204	3,282,386	14,376,590
2044-2048	10,299,532	2,008,814	12,308,346
2049-2053	7,882,918	922,465	8,805,383
2054-2058	5,413,911	373,195	5,787,106
2059-2060	1,447,264	16,942	1,464,206
	$ 98,305,610	$ 26,258,700	$ 124,564,310

The FCPA has entered into certain SBITAs. The agreements qualify as other than short-term under GASB Statement No. 96 and, therefore, have been recorded at the present value of the future minimum payments as of the date of their inception.

There are no variable payment components for any agreement. Each subscription liability is measured at various discount rates based on the term, date of service, classification of item and other factors pertaining to the agreement. The associated right-of-use subscription asset is discussed in more detail in Note E.

The FCPA has subscription liabilities that expire at various dates. Future minimum payments under the subscription liabilities are as follows:

Year Ending June 30,	***Principal Payments***	***Interest Payments***	***Total***
2024	$ 586,711	$ 51,332	$ 638,043
2025	591,268	38,451	629,719
2026	585,060	25,479	610,539
2027	598,074	12,875	610,949
	$ 2,361,113	$ 128,137	$ 2,489,250

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 implicit rate. During the year ended June 30, 2023 and 2022, FCPA recognized $619,100 and $606,975 of lease revenue, respectively. During the year ended June 30, 2023 and 2022, FCPA recognized $249,386 and $216,153, respectively, of interest revenue included with rental revenue in non-operating 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 at June 30, 2022. This agreement terminated 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 at June 30, 2022. This agreement terminated 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 $27,942,080 and $29,004,964 at June 30, 2023 and 2022, respectively. During February 2023, this agreement was amended and restated to replace the variable rate referenced from LIBOR-BBA to SOFR-CME. All other terms and conditions remain substantially unchanged. 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 $26,308,000 and $27,575,000 at June 30, 2023 and 2022, respectively. During February 2023, this agreement was amended and restated to replace the variable rate referenced from LIBOR-BBA to SOFR-CME. All other terms and conditions remain substantially unchanged. 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 $2,922,091 and $1,145,377 at June 30, 2023 and 2022, respectively) and the changes in the value of the swaps are reflected as a component of nonoperating revenue (expense) in the statements of revenue, expenses, and changes in net position for the years ended June 30, 2023 and 2022.

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, 2023.

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 amount of approximately $180,620,000 and $183,022,000, for the years ended June 30, 2023 and 2022, respectively, to the FCPA which collects the funds on behalf of the College of Medicine. This amount was recognized in other operating revenue.

During fiscal years 2023 and 2022, the FCPA received approximately $143,161,000 and $132,254,000, 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, 2023 and June 30, 2022.

Also, during fiscal years 2023 and 2022, the FCPA incurred approximately $172,368,000 and $167,725,000, respectively, per year in contractual services expense under various contracts with Shands and Affiliates. Accounts payable and accrued expenses as of June 30, 2023 and 2022, 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, 2023 and 2022, are due primarily from Shands and Affiliates for numerous different departmental professional services and support furnished under agreements with Shands and Affiliates.

NOTE K--COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

Third-Party Advanced Payments: During 2020, as part of the response to the COVID-19 pandemic and in conjunction with the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Centers for Medicare and Medicaid Services (CMS) implemented the Medicare Accelerated and

Advanced Payment Programs which speeds Medicare payments to providers in times of emergency, based on historical payments. Providers were eligible to request up to 100% of Medicare payment amounts for a three-month period. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment is to begin one year from the issuance date of each provider or supplier's accelerated or advance payment. After that first year, CMS will automatically recoup 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. The FCPA received $14,589,724 of advanced payments during the year ended June 30, 2020. CMS 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 lease and subscription obligations and long-term debt approximate fair value.

NOTE M--FAIR VALUE MEASUREMENT

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

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

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

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

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

The following table presents assets reported at fair value as of June 30, 2023 and 2022, 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, 2023:

	Carrying Value	*Quoted Prices in Active Markets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Assets:				
Investments in TD Wealth Sweep Program	$ 15,849,291	$ -	$ 15,849,291	$ -
Investments in Commercial Bonds and Notes	991,769	-	991,769	-
Investments in Stock Mutual Fund	11,212,203	-	11,212,203	-
Investments in Bond Mutual Fund	4,067,925	-	4,067,925	-
Interest rate swap agreements, net	2,922,091	-	-	2,922,091
	$ 35,043,279	$ -	$ 32,121,188	$ 2,922,091

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

	Carrying Value	*Quoted Prices in Active Markets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Investments in TD Wealth Sweep Program	$ 15,742,632	$ -	$ 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

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 global 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, the FCPA received $23,835,844 of CARES Act Provider Relief Funds (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 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 of HRSA approval, the FCPA set aside a reserve of $8,401,949 which represents a 50% reserve against all PRF funds recognized as lost revenue in 2022. The reserve was 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 or the open period for review by HRSA lapses. During 2023, the FCPA returned $5,955,175 of PRF funding and $33,288 in earned interest that remained unused by the close of period of availability, June 30, 2022, in accordance with program and federal award guidelines.

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. The FCPA received $747,618 of CARES Act COVID-19 Uninsured funding for the year ended June 30, 2022. The entire amount has 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, 2023, 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, HSCSHHS, HSCVAHS) - Unaudited

	Year Ended June 30, 2023	Year Ended June 30, 2022
REVENUE	$ -	$ -
EXPENDITURES:		
Salaries and benefits	**602,483,003**	570,744,869
Contractual services	**40,631,717**	27,263,152
Insurance	**9,171**	12,419
Electronic data processing charges	**5,724,730**	6,245,309
Operating supplies	**9,501,778**	11,428,369
Occupancy expenses	**738,034**	446,136
Printing and reproduction	**529,839**	506,243
Dues and subscriptions	**2,814,984**	2,590,641
Food and entertainment	**1,917,789**	1,213,059
Repairs and maintenance	**2,290,195**	2,173,297
Travel	**3,970,708**	2,813,352
Advertising	**274,836**	418,496
Telephone, freight and postage	**1,678,403**	1,556,892
University overhead	**12,894,733**	12,875,485
Other	**7,136,866**	5,985,990
Total expenditures	**692,596,786**	646,273,709
EXPENDITURES IN EXCESS OF REVENUE BEFORE TRANSFERS	**(692,596,786)**	(646,273,709)
TRANSFERS:		
From Florida Clinical Practice Association, Inc.	**691,790,521**	644,457,599
Transfers to others	**462,697**	1,086,329
Total transfers	**692,253,218**	645,543,928
EXCESS (DEFICIT) OF REVENUE AND TRANSFERS OVER EXPENDITURES	**(343,568)**	(729,781)
NET POSITION (DEFICIENCY), BEGINNING OF YEAR	**(14,066,327)**	(13,336,546)
NET POSITION (DEFICIENCY), END OF YEAR	**$ (14,409,895)**	$ (14,066,327)

PYA
CERTIFIED PUBLIC ACCOUNTANTS

PYA, P.C.
Bayport Plaza, Suite 860
3000 Bayport Drive
Tampa, FL 33607
(813) 424-3700 | pyapc.com

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, 2023, 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 28, 2023.

Report on 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.

Report on 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 28, 2023