



Financial Statements
(and Other Information)

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

Years Ended June 30, 2023 and 2022

FACULTY CLINIC, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Faculty Clinic, Inc. (the Clinic) (a component unit of the University of Florida) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Clinic'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 Clinic 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 audits 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 Clinic 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.

Responsibilities of Management for the Financial Statements

The Clinic'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 Clinic'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 misstatements 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 Clinic'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 Clinic'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 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 on our consideration of the Clinic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinic's internal control over financial reporting and compliance.

DYA, P.C.

Tampa, Florida
September 25, 2023

Management's Discussion and Analysis

FACULTY CLINIC, INC.

Management's Discussion and Analysis

This discussion and analysis of the Faculty Clinic, Inc.'s (the Clinic) financial statements is intended to provide an overview of its financial results for the year ended June 30, 2023. This section, along with the financial statements and related footnotes, has been prepared by, and is the responsibility of, management. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

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

OVERVIEW

The Clinic's net position increased by \$126,305 for fiscal year 2023 as compared to an increase of \$403,828 in the prior fiscal year. The structure of the Clinic is such that its purpose is to maintain the building and equipment and collect sufficient rent to cover operating expenses. Previously there was a need to fund the debt service on the bonds outstanding from the Series 1989 bond issue. As the bond issue was paid in full and retired as of July 1, 2019 there is no longer a need to fund the debt service.

Total assets are \$10,429,089 at June 30, 2023, a decrease of \$898,097 or 7.9% from June 30, 2022. Current assets decreased by \$105,251 during the fiscal year, net capital assets increased by \$184,275, while the long term lease receivables decreased by \$977,121. Current liabilities increased by \$21,850 while the liability related to the deferred inflow of resources decreased by \$1,046,252 for an overall reduction of total liabilities of \$1,024,402 or 11.3%. These changes will be explained in detail later in this discussion.

The Clinic implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for fiscal year 2022. GASB Statement No. 87 requires substantially all leases with a maximum possible term exceeding 12 months to be recognized as assets and liabilities on the balance sheet. As a lessor, the Clinic now records a lease receivable and related deferred inflow of resources calculated as the present value of the remaining lease payments during the lease term. Accounts affected by the implementation will be noted throughout the discussion. See Notes B and E to the financial statements for more information.

FINANCIAL ANALYSIS

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

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

CONDENSED STATEMENTS OF NET POSITION

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2023</i>	<i>2022</i>	<i>(Decrease)</i>	<i>Change</i>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,273,783	\$ 1,448,049	\$ (174,266)	-12.0%
Current portion of lease receivables	974,832	947,002	27,830	2.9%
Prepaid expenses and other current	3,966	7,167	(3,201)	-44.7%
Due from related parties	44,386	-	44,386	100.0%
TOTAL CURRENT ASSETS	2,296,967	2,402,218	(105,251)	-4.4%
OTHER ASSETS:				
Lease receivables - less current portion	7,093,075	8,070,196	(977,121)	-12.1%
TOTAL LONG TERM ASSETS	7,093,075	8,070,196	(977,121)	-12.1%
	9,390,042	10,472,414	(1,082,372)	-10.3%
CAPITAL ASSETS, NET	1,039,047	854,772	184,275	21.6%
TOTAL ASSETS	\$ 10,429,089	\$ 11,327,186	\$ (898,097)	-7.9%

Total assets as of June 30, 2023 were \$10,429,089 with current assets at \$2,296,967. Cash and cash equivalents of \$1,273,783 is the largest component of current assets. The cash balance decreased in fiscal year 2023 from the balance of \$1,448,049 at the end of fiscal year 2022 and this will be explained in the discussion on the statements of cash flows later in this section. The current portion of the lease receivables is \$974,832. This account balance is related to GASB Statement No. 87 and represents the present value of amounts owed by UFJP and Shands Jacksonville as lease payments during fiscal year 2024. Prepaid expenses and other current assets, comprised mainly of prepaid maintenance is a minimal \$3,966. The Due from related parties is the result of a delay in receiving Shands Jacksonville's June lease payment. The long-term asset, lease receivables, decreased by \$977,121 to \$7,093,075 as the result of the receipt of the payments from the tenants. Again, this is related to the implementation of GASB Statement No. 87 and represents the present value of amounts owed over the remaining life of the lease, excluding the current portion due in fiscal year 2024. This balance will reduce each year with the receipt of the payments from the tenants. If the leases are renewed and extended then the balance would be recalculated based on the new terms of the leases.

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2023</i>	<i>2022</i>	<i>(Decrease)</i>	<i>Change</i>
CAPITAL ASSETS, NET				
Building	\$ 1,015,550	\$ 820,307	\$ 195,243	23.8%
Equipment	23,497	34,465	(10,968)	-31.8%
CAPITALIZED ASSETS, NET	\$ 1,039,047	\$ 854,772	\$ 184,275	21.6%

The Clinic's investment in capital assets, net of depreciation, is \$1,039,047 at June 30, 2023, an increase of \$184,275 or 21.6% from the balance at June 30, 2022. The major purchase during the year was the replacement of the fire alarm and suppression system for \$336,000. Accumulated depreciation on the building and equipment at the end of 2023 was \$14,025,114, or \$151,776

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

greater than last year. As of June 30, 2020, the original building construction costs placed in service in 1990 were fully depreciated.

	<i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2023</i>	<i>2022</i>	<i>(Decrease)</i>	<i>Change</i>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 66,283	\$ 53,318	\$ 12,965	24.3%
Accrued contract labor	22,757	28,690	(5,933)	-20.7%
Due to related parties	78,472	63,654	14,818	23.3%
TOTAL CURRENT LIABILITIES	167,512	145,662	21,850	15.0%
TOTAL LIABILITIES	\$ 167,512	\$ 145,662	\$ 21,850	15.0%
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	\$ 7,846,883	\$ 8,893,135	\$ (1,046,252)	-11.8%
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 7,846,883	\$ 8,893,135	\$ (1,046,252)	-11.8%

Current liabilities stood at \$167,512 at June 30, 2023, an increase of \$21,850 or 15% from prior year. Accounts payable and accrued expenses, with a balance of \$66,283 at June 30, 2023, compared to a balance of \$53,318 at June 30, 2022 includes operating expenses which have been incurred but not yet paid and accruals for fees related to fiscal year 2023 which will be billed in coming months. Accrued contract labor consists of approximately \$3,000 of salaries and benefits earned but not paid at year end and \$19,000 of accrued paid time off for which the Clinic would be liable to pay. Due to related parties is the largest component at \$78,472 and represents amounts owed from the Clinic to UFJP for items such as management fee, labor expense and other items paid for by UFJP on behalf of the Clinic. See Note D to the financial statements.

Related to GASB Statement No. 87, a deferred lease revenue balance of \$7,846,883 was recorded for fiscal year 2023, down from a balance of \$8,893,135 at June 30, 2022. This represents the present value of future minimum lease payments from UFJP and Shands Jacksonville. This balance will reduce each year with the recording of the lease payments as revenue. If the leases are renewed and extended then the balance would be recalculated based on the new terms of the leases.

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

	<i>Year Ended</i>		<i>Increase</i>	<i>Percent</i>
	<i>June 30,</i>		<i>(Decrease)</i>	<i>Change</i>
	<i>2023</i>	<i>2022</i>		
REVENUE:				
Rental income	\$ 1,046,251	\$ 1,046,251	-	0.0%
State operating and maintenance (O&M)	329,498	326,428	3,070	0.9%
Lease interest income	246,058	273,160	(27,102)	-9.9%
TOTAL REVENUE	1,621,807	1,645,839	(24,032)	-1.5%

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

	Year Ended June 30,		Increase (Decrease)	Percent Change
	2023	2022		
EXPENSES:				
Contract labor	281,378	290,600	(9,222)	-3.2%
Depreciation and amortization	152,691	135,601	17,090	12.6%
Insurance, repairs, and maintenance	493,799	326,872	166,927	51.1%
Utilities and other	384,660	311,856	72,804	23.3%
Other operating expenses	185,386	178,679	6,707	3.8%
TOTAL OPERATING EXPENSES	1,497,914	1,243,608	254,306	20.4%
INCOME FROM OPERATIONS	123,893	402,231	(278,338)	-69.2%
NET NONOPERATING REVENUE	2,412	1,597	815	51.0%
INCREASE IN NET POSITION	\$ 126,305	\$ 403,828	\$ (277,523)	-68.7%

Revenue: Revenue is generated from lease payments for clinical and office space from UFJP and Shands Jacksonville and also consists of operating and maintenance (O&M) funding granted by the State Legislature for the space occupied by University of Florida functions. Under GASB Statement No. 87 lease payments are separated into the categories of rental income and interest income. Rental income for fiscal year 2023 was \$1,046,251, the same amount as in fiscal year 2022, while interest income was \$246,058, down from \$273,160 in fiscal year 2022. State O&M funding was \$329,498 for fiscal year 2023, a small \$3,070 or 0.9% increase from prior year. This funding from the state of Florida flows through the University of Florida.

Operating Expenses: Operating expenses totaled \$1,497,914 for fiscal year 2023, an increase of \$254,306 or 20.4% from fiscal year 2022. Contract labor, at \$281,378 is the cost of the staff, who are leased from UFJP, to provide housekeeping and maintenance services at the facility. Insurance, repairs and maintenance is the largest category of expense at \$493,799 and also had the largest increase, \$166,927 or 51.1%, over fiscal year 2022. This category includes a mechanical service agreement; an elevator maintenance service agreement; heating, ventilation, and air conditioning (HVAC) repairs; plumbing repairs; electrical system repairs, etc. Utility and other expense was \$384,660 for fiscal year 2023, with electricity the highest component at \$300,523. The other major components are water, garbage and telephone. In total, utility expense increased by 23.3% with electricity increasing 25.6% from fiscal year 2022. Depreciation and amortization increased by \$17,090 or 12.6% over fiscal year 2022 due to a full year of additional depreciation on the elevator replacement added during fiscal year 2022 and depreciation on the fire suppression system added in the current fiscal year. The major component of other operating expenses is fees for items such as audit fees, security, facility and management fees and total \$125,708, a small increase of just 1.3% over prior year. Also included, is supplies which were \$59,678 for the year, with a larger increase of \$5,090 or 9.3% over fiscal year 2022. Housekeeping and janitorial supplies contributed \$24,277 of the total.

Nonoperating Items: The only nonoperating item is interest income earned on bank accounts, which for fiscal year 2023 was \$2,412.

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended</i>		<i>Increase</i>	<i>Percent</i>
	<i>June 30,</i>		<i>(Decrease)</i>	<i>Change</i>
	<i>2023</i>	<i>2022</i>		
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 160,288	\$ 332,475	\$ (172,187)	-51.8%
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(336,966)	(52,248)	(284,718)	544.9%
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,412	1,597	815	51.0%
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(174,266)	281,824	(456,090)	-161.8%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,448,049	1,166,225	281,824	24.2%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,273,783	\$ 1,448,049	\$ (174,266)	-12.0%

Overall, there was a \$174,266 decrease in the cash balance from fiscal year 2022 to fiscal year 2023, resulting in an ending cash balance of \$1,273,783 at June 30, 2023. The primary factor for the decrease in the cash balance during fiscal year 2023 was the amount spent on capital items.

Cash Flows From Operating Activities: Cash provided by operating activities for the year was \$160,288. Receipts from rentals was \$1,195,348 while receipts of contributions from State O&M funding was \$329,498. Both amounts were consistent with prior year. Payments to suppliers and for operating expenses account for \$1,077,247 of the cash outflow while payments related to contract labor account for \$287,311. Combined, the cash expenditures for operating activities increased by just over \$175,000 or nearly 15% from fiscal year 2022.

Cash Flows From Capital and Related Financing Activities: The net cash used in capital and financing activities was \$336,966, much higher than the \$52,248 used in fiscal year 2022. This was for the replacement of the fire alarm and suppression system.

Cash Flows From Investing Activities: The net cash provided by investing activities was \$2,412 in fiscal year 2023 representing only interest earned on the cash accounts.

ECONOMIC OUTLOOK

As a facilities management company, the Clinic will continue to have key challenges in the coming years related to utility costs and increasing repair and maintenance costs on the building and equipment due to aging. The Clinic will need to continue to have enhanced cleaning services and supplies as a result of the lingering effects of the COVID-19 pandemic.

The variable rate bonds issued by the Clinic have now been paid in full. Thus, the need to build cash for debt payments, and concerns about the interest rate on the debt will no longer be factors

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

in the future. The focus of the Clinic will now be to rebuild the cash balances to fund major repairs of the building and related equipment needed in future years. Various investment alternatives will be evaluated to balance availability, security and rate of return.

The annual inflation rate was around 3% in June 2023 after labor issues and supply shortages drove prices up to an annual inflation rate of over 9% in June 2022, the highest level in over 40 years. The Clinic is facing pressure from rising costs of facility and maintenance expenses due to the age of the building. Although steps have been taken for the Clinic to be more energy efficient, factors beyond the Clinic's control continue to impact expenses. Electric expense increased by 25.6% from fiscal year 2022 due to higher rates caused by rising fuel costs. While efforts will be ongoing to improve efficiency, it is anticipated that electric costs will continue to increase. Water and sewer expense had a smaller, but still significant increase of 13.9% this year, and that is expected to continue into the future. Based on recent history, repairs to the HVAC systems will continue to be a major need of the Clinic. Fiscal year 2023 saw the completion of the new fire alarm and suppression system for the building at a cost of \$336,000. Capital items planned for fiscal year 2024 include the installation of digital controls for the HVAC system on the fourth floor (\$300,000) and the purchase of a new water softener system (\$31,000). Both of these items were initially approved in the fiscal year 2023 budget but were delayed a year. Lease rates are projected to remain flat for fiscal year 2024. Changes in lease rates for future years will be driven mainly by facility operating and maintenance costs.

CONTACTING THE CLINIC

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

Financial Statements

FACULTY CLINIC, INC.***Statements of Net Position***

	<i>June 30,</i>	
	<i>2023</i>	<i>2022</i>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,273,783	\$ 1,448,049
Current portion of lease receivables	974,832	947,002
Prepaid expenses and other current assets	3,966	7,167
Due from Shands Jacksonville Medical Center, Inc.	44,386	-
TOTAL CURRENT ASSETS	<u>2,296,967</u>	<u>2,402,218</u>
OTHER ASSETS:		
Lease receivables - less current portion	7,093,075	8,070,196
TOTAL LONG-TERM ASSETS	<u>7,093,075</u>	<u>8,070,196</u>
CAPITAL ASSETS:		
Building and improvements	11,193,326	10,857,275
Equipment	3,870,835	3,870,835
TOTAL CAPITAL ASSETS	<u>15,064,161</u>	<u>14,728,110</u>
Less: accumulated depreciation and amortization	<u>(14,025,114)</u>	<u>(13,873,338)</u>
TOTAL CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	<u>1,039,047</u>	<u>854,772</u>
TOTAL ASSETS	<u>\$ 10,429,089</u>	<u>\$ 11,327,186</u>

FACULTY CLINIC, INC.***Statements of Net Position - Continued***

	<i>June 30,</i>	
	<i>2023</i>	<i>2022</i>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 66,283	\$ 53,318
Accrued contract labor	22,757	28,690
Due to University of Florida Jacksonville Physicians, Inc.	78,472	63,654
TOTAL CURRENT LIABILITIES	<u>167,512</u>	<u>145,662</u>
TOTAL LIABILITIES	167,512	145,662
DEFERRED INFLOWS OF RESOURCES:		
Deferred lease revenue	7,846,883	8,893,135
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,846,883</u>	<u>8,893,135</u>
COMMITMENTS AND CONTINGENCIES - Note G		
NET POSITION:		
Net investment in capital assets	1,039,047	854,772
Unrestricted	1,375,647	1,433,617
TOTAL NET POSITION	<u>2,414,694</u>	<u>2,288,389</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,429,089</u>	<u>\$ 11,327,186</u>

FACULTY CLINIC, INC.***Statements of Revenue, Expenses, and Changes in Net Position***

	<i>Year Ended June 30,</i>	
	2023	2022
REVENUE:		
Rental income	\$ 1,046,251	\$ 1,046,251
State operating and maintenance funding	329,498	326,428
Lease interest income	246,058	273,160
TOTAL REVENUE	1,621,807	1,645,839
EXPENSES:		
Contract labor	281,378	290,600
Fees	125,708	124,091
Depreciation and amortization	152,691	135,601
Insurance, repairs and maintenance	493,799	326,872
Supplies	59,678	54,588
Utilities and other	384,660	311,856
TOTAL EXPENSES	1,497,914	1,243,608
OPERATING INCOME	123,893	402,231
NONOPERATING REVENUE:		
Interest income	2,412	1,597
NET NONOPERATING REVENUE	2,412	1,597
INCREASE IN NET POSITION	126,305	403,828
NET POSITION, BEGINNING OF YEAR	2,288,389	1,884,561
NET POSITION, END OF YEAR	\$ 2,414,694	\$ 2,288,389

FACULTY CLINIC, INC.

Statements of Cash Flows

	<i>Year Ended June 30,</i>	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from rentals	\$ 1,195,348	\$ 1,195,348
Receipt of contributions from State operating and maintenance funding	329,498	326,428
Payments to suppliers and for operating expenses	(1,077,247)	(898,843)
Payments related to contract labor	(287,311)	(290,458)
NET CASH PROVIDED BY OPERATING ACTIVITIES	160,288	332,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(336,966)	(52,248)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(336,966)	(52,248)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	2,412	1,597
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,412	1,597
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(174,266)	281,824
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,448,049	1,166,225
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,273,783	\$ 1,448,049
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 123,893	\$ 402,231
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	152,691	135,601
Increase (decrease) in cash due to changes in:		
Lease receivables	949,291	922,188
Prepaid expenses and other current assets	3,201	213
Accounts payable and accrued expenses	12,965	(80,364)
Accrued contract labor	(5,933)	142
Due to University of Florida Jacksonville Physicians, Inc.	14,818	649
Due from Shands Jacksonville Medical Center, Inc.	(44,386)	(1,934)
Deferred lease revenue	(1,046,252)	(1,046,251)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 160,288	\$ 332,475

See accompanying notes to financial statements.

FACULTY CLINIC, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

NOTE A--REPORTING ENTITY

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

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

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2023 and 2022

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.

Capital Assets: The Clinic's capital assets are reported at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets which range from 3 to 30 years. Gains and losses on dispositions are recorded in the year of disposal. The Clinic periodically reviews capital assets for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized if the sum of the expected cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset.

Net Position: Net position of the Clinic is classified in components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted* is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Clinic. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. The Clinic had no restricted net position at June 30, 2023 and 2022.

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

Income Taxes: The Clinic is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. The Internal Revenue Code provides for taxation of certain unrelated business income. The Clinic has no taxable unrelated business income. Accordingly, no provision for income taxes has been included in the accompanying financial statements. There were no uncertain tax positions. Tax returns for the years ended June 30, 2019 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. Future results could differ from those estimates.

Recently Adopted Accounting Pronouncements: In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which requires balance sheet

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2023 and 2022

recognition of a subscription liability and right-to-use subscription asset for substantially all SBITAs with a maximum possible term exceeding 12 months. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the entity, which may be implicit, or the entity's incremental borrowing rate if the interest rate is not readily determinable. An entity should recognize amortization of the discount on the subscription liability as an outflow of resources (interest expense) for the period. The subscription asset should be initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. An entity should recognize amortization of the subscription asset as an outflow of resources over the subscription term. The Clinic has adopted the Statement in the basic financial statements as of and for the years ended June 30, 2023 and 2022.

NOTE C--CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2023 and 2022 is as follows:

	<i>Balance at June 30, 2022</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2023</i>
Capital assets:					
Building and improvements	\$ 10,857,275	\$ 336,966	\$ (915)	\$ -	\$ 11,193,326
Equipment	3,870,835	-	-	-	3,870,835
Construction in progress	-	-	-	-	-
Total capital assets	14,728,110	336,966	(915)	-	15,064,161
Accumulated depreciation:					
Building and improvements	10,036,968	141,723	(915)	-	10,177,776
Equipment	3,836,370	10,968	-	-	3,847,338
Total accumulated depreciation	13,873,338	152,691	(915)	-	14,025,114
Capital assets, net	\$ 854,772	\$ 184,275	\$ -	\$ -	\$ 1,039,047
	<i>Balance at June 30, 2021</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2022</i>
Capital assets:					
Building and improvements	\$ 10,638,233	\$ 52,248	\$ -	\$ 166,794	\$ 10,857,275
Equipment	3,870,835	-	-	-	3,870,835
Construction in progress	166,794	-	-	(166,794)	-
Total capital assets	14,675,862	52,248	-	-	14,728,110

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2023 and 2022

	<i>Balance at June 30, 2021</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2022</i>
Accumulated depreciation:					
Building and improvements	9,912,564	124,404	-	-	10,036,968
Equipment	3,825,173	11,197	-	-	3,836,370
Total accumulated depreciation	13,737,737	135,601	-	-	13,873,338
Capital assets, net	\$ 938,125	\$ (83,353)	\$ -	\$ -	\$ 854,772

NOTE D--RELATED PARTY TRANSACTIONS

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

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

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

<u>Year Ending June 30,</u>	
2024	\$ 974,833
2025	1,003,482
2026	1,032,972
2027	1,063,330
2028	1,094,580
2029-2031	2,879,261
	<u>\$ 8,048,458</u>

The Clinic received all rent owed from UFJP and Shands Jacksonville for fiscal years 2023 and 2022.

University of Florida Jacksonville Physicians, Inc.: The Clinic owed \$78,472 and \$63,654 to UFJP for insurance, management fees, and other expenses at June 30, 2023 and 2022, respectively.

Additionally, UFJP charged the Clinic a management fee of \$32,004 and \$36,000 for the years ended June 30, 2023 and 2022, which is included in fees expense in the accompanying statements of revenue, expenses, and changes in net position.

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2023 and 2022

The Clinic has no employees. All staffing is provided by UFJP on a contract basis and is recognized as contract labor expense in the statements of revenue, expenses, and changes in net position for the years ended June 30, 2023 and 2022.

State O&M Funding: During 2003, the State approved Operating & Maintenance (O&M) funding for the Clinic. Such funding amounted to \$329,498 and \$326,428 for the years ended June 30, 2023 and 2022, respectively. State O&M funding is appropriated for repairs and maintenance expenditures.

NOTE E--LEASE RECEIVABLE

As previously described, the Clinic entered into agreements with UFJP and Shands Jacksonville for the lease of office space and equipment. Both noncancelable lease terms have 90 months remaining as of June 30, 2023 and respective future monthly minimum lease payments are \$45,135 and \$41,602. 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 2.9%, which is the implicit rate. During the years ended June 30, 2023 and 2022, the Clinic recognized \$1,046,251 of lease revenue and \$246,058 and \$273,160, respectively, of lease interest revenue.

NOTE F--RETIREMENT PLAN

The Clinic established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code in December 1987 for eligible employees. There were no contributions to this plan in 2023 or 2022. The current staff are all employees of UFJP and are leased to the Clinic. These employees participate in the UFJP defined contribution plan. Retirement contributions for these employees were \$4,936 and \$5,235 for the years ended June 30, 2023 and 2022, respectively.

NOTE G--COMMITMENTS AND CONTINGENCIES

Lease Agreement: Effective January 1, 1989, the Clinic and the University of Florida Board of Trustees entered into a sublease agreement related to the land which the Clinic occupies. The lease agreement provides for the Clinic to make annual payments of \$1 through January 1, 2031. The lease term may be extended so long as any principal, premium or interest on any bonds remains unpaid. Renewals beyond the initial term shall be subject to such additional terms as the parties may agree. The land is leased by the University of Florida Board of Trustees from the Duval County Hospital Authority and Shands Jacksonville. This arrangement is excluded from the scope of GASB Statement No. 87, *Leases*, due to it not meeting the criteria of an exchange or exchange-like transaction.

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

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2023 and 2022

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

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

NOTE H--FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying value of its financial instruments, including cash and cash equivalents, prepaid expenses and other current assets, lease receivables, accounts payable and accrued expenses, accrued contract labor and other current liabilities are at fair value or approximate fair value due to the nature and short-term maturities of these instruments.

NOTE I--NATIONAL PANDEMIC

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

NOTE J--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.

Other Information

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Faculty Clinic, Inc. (the Clinic) (a component unit of the University of Florida), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements, and have issued our report thereon dated September 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 Clinic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 Clinic's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PYA, P.C.

Tampa, Florida
September 25, 2023