
Financial Statements (and Other Information)

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

Years Ended June 30, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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* (GAS), 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 issuance 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 GAS 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 GAS, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025 on our consideration of the Clinic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinic's internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida
September 29, 2025

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, 2025. 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. (UF Health 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 decreased by \$11,299 for fiscal year 2025 as compared to an increase of \$106,925 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 \$8,518,989 at June 30, 2025, a decrease of \$929,439 or 9.8% from June 30, 2024. Current assets increased by \$258,696 during the fiscal year, net capital assets decreased by \$152,739, while the long-term lease receivables decreased by \$1,035,396. Current liabilities increased by \$128,111, while the liability related to the deferred inflow of resources decreased by \$1,046,251 for an overall reduction of total liabilities of \$918,140 or 13.3%. 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 has 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>2025</i>	<i>2024</i>	<i>(Decrease)</i>	<i>Change</i>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,545,788	\$ 1,375,385	\$ 170,403	12.4%
Current portion of lease receivables	1,032,972	1,003,482	29,490	2.9%
Prepaid expenses and other current assets	63,268	14,105	49,163	348.6%
Due from related parties	98,412	88,772	9,640	10.9%
TOTAL CURRENT ASSETS	2,740,440	2,481,744	258,696	10.4%
OTHER ASSETS:				
Lease receivables - less current portion	5,051,841	6,087,237	(1,035,396)	-17.0%
TOTAL LONG TERM ASSETS	5,051,841	6,087,237	(1,035,396)	-17.0%
	7,792,281	8,568,981	(776,700)	-9.1%
CAPITAL ASSETS, NET	726,708	879,447	(152,739)	-17.4%
TOTAL ASSETS	\$ 8,518,989	\$ 9,448,428	\$ (929,439)	-9.8%

Total assets as of June 30, 2025, were \$8,518,989, with current assets at \$2,740,440. Cash and cash equivalents of \$1,545,788 is the largest component of current assets. The cash balance increased in fiscal year 2025 from the balance of \$1,375,385 at the end of fiscal year 2024, 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 \$1,032,972. This account balance is related to GASB Statement No. 87 and represents the present value of amounts owed by UFJP and UF Health Jacksonville as lease payments during fiscal year 2026. Prepaid expenses and other current assets, comprised of prepaid maintenance and a receivable for the state O & M funding, is \$63,268. The Due from related parties is the result of a delay in receiving both UF Health Jacksonville's and UFJP's June lease payments. The long-term asset, lease receivables, decreased by \$1,035,396 to \$5,051,841 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 2026. 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>2025</i>	<i>2024</i>	<i>(Decrease)</i>	<i>Change</i>
CAPITAL ASSETS, NET				
Building	\$ 722,454	865,933	\$ (143,479)	-16.6%
Equipment	4,254	13,514	(9,260)	-68.5%
CAPITALIZED ASSETS, NET	\$ 726,708	\$ 879,447	\$ (152,739)	-17.4%

The Clinic's investment in capital assets, net of depreciation, is \$726,708 at June 30, 2025, a decrease of \$152,739 or 17.4% from the balance at June 30, 2024. No capital assets were purchased during fiscal year 2025. Accumulated depreciation on the building and equipment at the end of

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

2025 was \$14,337,453, or \$152,739 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>2025</i>	<i>2024</i>	<i>(Decrease)</i>	<i>Change</i>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 143,591	\$ 86,997	\$ 56,594	65.1%
Accrued contract labor	31,870	26,593	5,277	19.8%
Due to related parties	78,827	12,587	66,240	526.3%
TOTAL CURRENT LIABILITIES	254,288	126,177	128,111	101.5%
TOTAL LIABILITIES	\$ 254,288	\$ 126,177	\$ 128,111	101.5%
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	\$ 5,754,381	\$ 6,800,632	\$ (1,046,251)	-15.4%
TOTAL DEFERRED				
INFLOWS OF RESOURCES	\$ 5,754,381	\$ 6,800,632	\$ (1,046,251)	-15.4%

Current liabilities stood at \$254,288 at June 30, 2025, an increase of \$128,111 or 101.5% from prior year. Accounts payable and accrued expenses, with a balance of \$143,591 at June 30, 2025, compared to a balance of \$86,997 at June 30, 2024, include operating expenses that have been incurred but not yet paid and accruals for fees related to fiscal year 2025, which will be billed in coming months. There were several large maintenance invoices accrued at the end of the fiscal year, which led to the increase over the prior fiscal year. Accrued contract labor consists of accrued paid time off for which the Clinic would be liable to pay. Due to related parties at \$78,827 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. This is a significant increase of \$66,240 from prior year as payments were delayed. See Note D to the financial statements.

Related to GASB Statement No. 87, a deferred lease revenue balance of \$5,754,381 was recorded for fiscal year 2025, down from a balance of \$6,800,632 at June 30, 2024. 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>2024</i>	<i>(Decrease)</i>	<i>Change</i>
	<i>2025</i>			
REVENUE:				
Rental income	\$ 1,046,251	\$ 1,046,251	\$ -	0.0%
State operating and maintenance (O&M)	329,498	328,935	563	0.2%
Lease interest income	189,442	218,160	(28,718)	-13.2%
TOTAL REVENUE	1,565,191	1,593,346	(28,155)	-1.8%

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

	<i>Year Ended June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2025</i>	<i>2024</i>	<i>(Decrease)</i>	<i>Change</i>
EXPENSES:				
Contract labor	382,836	348,281	34,555	9.9%
Depreciation and amortization	152,739	159,600	(6,861)	-4.3%
Insurance, repairs, and maintenance	484,836	443,403	41,433	9.3%
Utilities and other	371,747	345,442	26,305	7.6%
Other operating expenses	189,425	194,244	(4,819)	-2.5%
TOTAL OPERATING EXPENSES	1,581,583	1,490,970	90,613	6.1%
INCOME (LOSS) FROM OPERATIONS	(16,392)	102,376	(118,768)	-116.0%
NET NONOPERATING REVENUE	5,093	4,549	544	12.0%
INCREASE (DECREASE) IN NET POSITION	\$ (11,299)	\$ 106,925	\$ (118,224)	-110.6%

Revenue: Revenue is generated from lease payments for clinical and office space from UFJP and UF Health 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 2025 was \$1,046,251, the same amount as in fiscal year 2024, while interest income was \$189,442, down from \$218,160 in fiscal year 2024. State O&M funding was \$329,498 for fiscal year 2025, a small \$563 increase from prior year. This funding from the state of Florida flows through the University of Florida.

Operating Expenses: Operating expenses totaled \$1,581,583 for fiscal year 2025, an increase of \$90,613 or 6.1% from fiscal year 2024. Contract labor, at \$382,836, is the cost of the staff, who are leased from UFJP, to provide housekeeping and maintenance services at the facility. This category had an increase of 9.9%, or \$34,555 from fiscal year 2024. This was the result of salary increases given in July 2024 and January 2025, as well as an increase of a 0.7 FTE. Insurance, repairs, and maintenance is the largest category of expense at \$484,836, which represents an increase of \$41,433 from fiscal year 2024. 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. The majority of the increase came from building repairs and maintenance, which was \$87,306 more than prior year although this was offset somewhat by a \$51,361 decrease in equipment repairs. Utility and other expense was \$371,747 for fiscal year 2025, with electricity the highest component at \$278,289. The other major components are water, garbage, and telephone. In total, utility expense increased by 7.6% with electricity increasing 9.5% from fiscal year 2024. Depreciation and amortization decreased by \$6,861 or 4.3% over fiscal year 2024 due to several items that became fully depreciated at the end of the prior fiscal year and no new assets being added in fiscal year 2025. The major component of other operating expenses is fees for items such as audit fees, security, facility and management fees, and total \$121,787, a small increase of 1.8% from prior year. Also included is supplies, which were \$67,637 for the year, with a larger increase of \$6,963 or 9.3% from fiscal year 2024. The majority of supply expense is for housekeeping and janitorial supplies.

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

Nonoperating Items: The only nonoperating item is interest income earned on bank accounts, which for fiscal year 2025 was \$5,093.

CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended</i> <i>June 30,</i>		<i>Increase</i>	<i>Percent</i>
	<i>2025</i>	<i>2024</i>	<i>(Decrease)</i>	<i>Change</i>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 165,310	\$ 97,053	\$ 68,257	70.3%
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,093	4,549	544	12.0%
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,403	101,602	68,801	67.7%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,375,385	1,273,783	101,602	8.0%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,545,788	\$ 1,375,385	\$ 170,403	12.4%

Overall, there was a \$170,403 increase in the cash balance from fiscal year 2024 to fiscal year 2025, resulting in an ending cash balance of \$1,545,788 at June 30, 2025. The primary factor for the increase in the cash balance during fiscal year 2025 was the lack of spending for capital items.

Cash Flows From Operating Activities: Cash provided by operating activities for the year was \$165,310. 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 \$981,977 of the cash outflow, while payments related to contract labor account for \$377,559. The amount for contract labor represents an increase of \$33,114 or 9.6% from prior year. Combined, the cash provided by operating activities increased by \$68,257 or 70.3% from fiscal year 2024.

Cash Flows From Capital and Related Financing Activities: There was no net cash used in capital and financing activities in fiscal year 2025 or fiscal year 2024.

Cash Flows From Investing Activities: The net cash provided by investing activities was \$5,093 in fiscal year 2025, 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 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 are

FACULTY CLINIC, INC.

Management's Discussion and Analysis - Continued

no longer factors. The focus of the Clinic is now building 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 continues to hover between 2.5% and 3% over the past several years 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. While steps have been taken for the Clinic to be more energy efficient, factors beyond the Clinic's control continue to impact expenses. The Clinic's electric expense increased by 9.5% from fiscal year 2024. While efforts will be ongoing to improve efficiency, it is anticipated that electric costs will continue to go up in coming years. Although water and sewer expense had a decrease of 25.0% this year, it is expected that these expenses will also increase in the future. Based on recent history, repairs to the HVAC systems will continue to be a major need of the Clinic. Although no capital projects were undertaken in fiscal year 2025, capital items planned for fiscal year 2026 include installing digital HVAC controls on the 4th floor (\$300,000) and the purchase of a new water softener system (\$50,000). Lease rates are projected to remain flat for fiscal year 2026. 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>2025</i>	<i>2024</i>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,545,788	\$ 1,375,385
Current portion of lease receivables	1,032,972	1,003,482
Prepaid expenses and other current assets	63,268	14,105
Due from Shands Jacksonville Medical Center, Inc.	44,386	88,772
Due from University of Florida Jacksonville Physicians, Inc.	54,026	-
TOTAL CURRENT ASSETS	2,740,440	2,481,744
OTHER ASSETS:		
Lease receivables - less current portion	5,051,841	6,087,237
TOTAL LONG-TERM ASSETS	5,051,841	6,087,237
CAPITAL ASSETS:		
Building and improvements	11,193,326	11,193,326
Equipment	3,870,835	3,870,835
TOTAL CAPITAL ASSETS	15,064,161	15,064,161
Less: accumulated depreciation and amortization	(14,337,453)	(14,184,714)
TOTAL CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	726,708	879,447
TOTAL ASSETS	\$ 8,518,989	\$ 9,448,428

FACULTY CLINIC, INC.

Statements of Net Position - Continued

	<i>June 30,</i>	
	<i>2025</i>	<i>2024</i>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 143,591	\$ 86,997
Accrued contract labor	31,870	26,593
Due to University of Florida Jacksonville Physicians, Inc.	78,827	12,587
TOTAL CURRENT LIABILITIES	254,288	126,177
TOTAL LIABILITIES	254,288	126,177
DEFERRED INFLOWS OF RESOURCES:		
Deferred lease revenue	5,754,381	6,800,632
TOTAL DEFERRED INFLOWS OF RESOURCES	5,754,381	6,800,632
COMMITMENTS AND CONTINGENCIES - Note G		
NET POSITION:		
Net investment in capital assets	726,708	879,447
Unrestricted	1,783,612	1,642,172
TOTAL NET POSITION	2,510,320	2,521,619
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 8,518,989	\$ 9,448,428

FACULTY CLINIC, INC.

Statements of Revenue, Expenses, and Changes in Net Position

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
REVENUE:		
Rental income	\$ 1,046,251	\$ 1,046,251
State operating and maintenance funding	329,498	328,935
Lease interest income	189,442	218,160
TOTAL REVENUE	1,565,191	1,593,346
EXPENSES:		
Contract labor	382,836	348,281
Fees	121,788	119,644
Depreciation and amortization	152,739	159,600
Insurance, repairs and maintenance	484,836	443,403
Supplies	67,637	74,600
Utilities and other	371,747	345,442
TOTAL EXPENSES	1,581,583	1,490,970
OPERATING INCOME (LOSS)	(16,392)	102,376
NONOPERATING REVENUE:		
Interest income	5,093	4,549
NET NONOPERATING REVENUE	5,093	4,549
INCREASE (DECREASE) IN NET POSITION	(11,299)	106,925
NET POSITION, BEGINNING OF YEAR	2,521,619	2,414,694
NET POSITION, END OF YEAR	\$ 2,510,320	\$ 2,521,619

FACULTY CLINIC, INC.

Statements of Cash Flows

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
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	328,935
Payments to suppliers and for operating expenses	(981,977)	(1,082,785)
Payments related to contract labor	(377,559)	(344,445)
NET CASH PROVIDED BY OPERATING ACTIVITIES	165,310	97,053
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	5,093	4,549
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,093	4,549
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,403	101,602
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,375,385	1,273,783
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,545,788	\$ 1,375,385
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (16,392)	\$ 102,376
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	152,739	159,600
Increase (decrease) in cash due to changes in:		
Lease receivables	1,005,906	977,188
Prepaid expenses and other current assets	(49,163)	(10,139)
Accounts payable and accrued expenses	56,594	20,714
Accrued contract labor	5,277	3,836
Due to University of Florida Jacksonville Physicians, Inc.	66,240	(65,885)
Due from Shands Jacksonville Medical Center, Inc.	44,386	(44,386)
Due from University of Florida Jacksonville Physicians, Inc.	(54,026)	-
Deferred lease revenue	(1,046,251)	(1,046,251)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 165,310	\$ 97,053

FACULTY CLINIC, INC.

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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 Receivables: 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, 2025 and 2024

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 is 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, 2025 and 2024.

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, 2021, through 2025 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.

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

NOTE C--CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2025 and 2024 is as follows:

	<i>Balance at July 1, 2024</i>		<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2025</i>	
Capital assets:							
Building and improvements	\$	11,193,326	\$	-	\$	-	\$ 11,193,326
Equipment		3,870,835		-		-	3,870,835
Total capital assets		15,064,161		-		-	15,064,161
Accumulated depreciation:							
Building and improvements		10,327,393		143,479		-	10,470,872
Equipment		3,857,321		9,260		-	3,866,581
Total accumulated depreciation		14,184,714		152,739		-	14,337,453
Capital assets, net	\$	879,447	\$	(152,739)	\$	-	\$ 726,708
	<i>Balance at July 1, 2023</i>		<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2024</i>	
Capital assets:							
Building and improvements	\$	11,193,326	\$	-	\$	-	\$ 11,193,326
Equipment		3,870,835		-		-	3,870,835
Total capital assets		15,064,161		-		-	15,064,161
Accumulated depreciation:							
Building and improvements		10,177,776		149,617		-	10,327,393
Equipment		3,847,338		9,983		-	3,857,321
Total accumulated depreciation		14,025,114		159,600		-	14,184,714
Capital assets, net	\$	1,039,047	\$	(159,600)	\$	-	\$ 879,447

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.

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

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><i>Year Ending June 30,</i></u>	
2026	\$ 1,032,972
2027	1,063,330
2028	1,094,580
2029	1,126,749
2030	1,159,861
2031	592,651
	<u>\$ 6,070,143</u>

As of June 30, 2025, UFJP owed \$54,026 to the Clinic for rental payments. The Clinic received all rent owed from UFJP for fiscal year 2024. Amounts owed by Shands Jacksonville as of June 30, 2025 and 2024, were \$44,386 and \$88,772, respectively.

University of Florida Jacksonville Physicians, Inc.: The Clinic owed \$78,827 and \$12,587 to UFJP for insurance, management fees, and other expenses at June 30, 2025 and 2024, respectively.

Additionally, UFJP charged the Clinic a management fee of \$32,004 for the years ended June 30, 2025 and 2024, which is included in fees expense in the accompanying statements of revenue, expenses, and changes in net position.

The Clinic has no employees. All staffing is provided by UFJP on a contract basis and is recognized as contract labor expense in the statements of revenue, expenses, and changes in net position for the years ended June 30, 2025 and 2024.

State O&M Funding: During 2003, the State approved Operating & Maintenance (O&M) funding for the Clinic. Such funding amounted to \$329,498 and \$328,935 for the years ended June 30, 2025 and 2024, 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 66 months remaining as of June 30, 2025, and respective future monthly minimum lease payments are

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

\$54,026 and \$45,586. 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, 2025 and 2024, the Clinic recognized \$1,046,251 of lease revenue and \$189,442 and \$218,160, 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 2025 or 2024. 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 \$8,472 and \$8,681 for the years ended June 30, 2025 and 2024, 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.

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.

FACULTY CLINIC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

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--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, 2025, 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, 2025, 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 29, 2025.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material 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 29, 2025