



Financial Statements (and Other Information)

***University of Florida Jacksonville Physicians, Inc.
(A Component Unit of the University of Florida)***

Years Ended June 30, 2025 and 2024

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
University of Florida Jacksonville Physicians, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the University of Florida Jacksonville Physicians, Inc. (the Company) (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 Company'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 University of Florida Jacksonville Physicians, Inc. 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 Company 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 Company'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 Company'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 misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 19 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Company's basic financial statements. The Statements of Revenue, Expenditures, and Changes in Net Position of the Miscellaneous Gifts and Grants Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2025, on our consideration of the Company'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 Company's internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida
September 23, 2025

Management's Discussion and Analysis

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Management's Discussion and Analysis

Management's discussion and analysis (MD&A) of the University of Florida Jacksonville Physicians, Inc. (UFJP) (the Company) (Practice Plan) is intended to provide an overview of the 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.

As an approved practice plan of the University of Florida College of Medicine (COM) as outlined in Florida Board of Governors' Regulation 9.017, and as a health service support organization as outlined in Florida Board of Governors' Regulation 9.011, the primary mission of the Company is to bill and collect professional fees from the clinical practice of University of Florida (UF) (the University) physicians in order to fund and promote the educational, clinical and research missions, and support the clinical activities of the Jacksonville campus of the COM.

OVERVIEW

UFJP's financial results for Fiscal Year 2025 were positive based on the combined UFJP and Miscellaneous Gifts and Grants Fund (MG&G). Increased patient volumes, capitated funds, and hospital support offset increased salary and wage costs of physicians and support staff. Shortage of workers in certain specialties continued to drive wage pressures along with higher inflation. UF faculty physicians' compensation is also being monitored closely to remain competitive in recruitment and retention. Upper Payment Limit (UPL) funding was delayed again beyond the end of Fiscal Year 2025, but operating cash on hand remained stable from prior year end.

During Fiscal Year 2025, UFJP's patient visits increased 5.6% from previous year, and surgical cases increased from last year by 3.2%. Shands Jacksonville Medical Center, Inc. (UF Health Jacksonville) (the Hospital) completed the construction of the second bed tower at the North campus and began admitting patients in July 2024. Capitated plan participation increased significantly in 2024 and 2025 in two Affordable Care Act (ACA) exchange plans from previously eligible Medicaid patients. Total capitated revenue received for the year exceeded \$17.7 million and was \$8.4 million more than the previous year. UFJP's quality/shared savings program funding of \$8.1 million was less than the previous year but exceeded budget by \$1.6 million.

The overall Jacksonville physicians' practice plan results for FY 2025 were a positive \$1,449,674 and include the \$(2,484,367) decrease in net position of UFJP and the \$3,934,041 increase of the MG&G outlined in the supplemental schedule. This represents a \$1.5 million positive variance from budget, as the fiscal year 2025 budget was a deficit of \$(108,000) for all funds (Operating, Dean's, PSA, and MG&G). While there were a number of factors behind the positive budget variance that will be outlined in the following sections, the most significant factors were an increase in net patient service revenue of \$23.4 million, including the increase in capitated revenue of \$8.4 million and the decrease in quality/shared savings and UPL funds. Also, funding from the Hospital was ahead of budget by \$11.5 million and \$17.2 million more than previous year, primarily related to funding anesthesia-related costs. However, these factors were offset by the negative budget variances of (1) increased physician call pay/extra duty of \$5.8 million, (2)

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Management's Discussion and Analysis - Continued

increased physician locums costs of \$6.1 million, (3) increased advanced practice providers and staff costs of \$7.3 million, and (4) increased fees and supply costs. The Program Support Accounts and Dean's Fund had a \$330,000 unfavorable budget variance for the year as a result of lower grant revenue. A non-operating and non-cash lease-related gain was recognized in Fiscal Year 2025 related to a GASB No. 87 adjustment from prior periods. A non-operating loss of \$(599,214) was recognized in FY 2025, consisting of an unrealized loss on the interest rate swap for the Series 2019 Notes.

Total operating revenue for FY2025 increased by \$35,277,140 or 8.7% from prior year. The largest portion of the increase was growth in patient service revenue, including an increase in patient volumes, increase in collection rates, and an increase in capitated plan payments. Contributions from the Hospital increased 19.9% in relation to staffing the anesthesia department and critical care units. Gross clinical revenue excluding charity increased from the prior year by 18% or \$133.1 million. Improved payor mix with an increase in commercial volume to 37.9% supported the increase in collections. Charity gross clinical revenue increased only slightly in FY2025, and net charity care funding from the Hospital increased to \$8.8 million for specialty care services rendered to eligible City of Jacksonville residents.

Total operating expenses, including transfers to cover physician salaries and benefits, increased from last year by \$47,667,953 or 11.9%. Factors related to the expense increase included physician and staff salary raises, increase in physician call/extra duty pay, increase in utilization of locum tenens physician and advance practice provider services, and increase in the number of physician and advance practice providers.

Non-operating revenue for FY 2025 includes a \$173,148 unrealized gain on investments held in the State of Florida Special Purpose Investment Account (SPIA) and an unrealized loss of \$(599,214) for the market value adjustment related to the interest rate swap agreement on the Series 2019 Notes. Non-operating expense for FY 2025 includes interest expense on the Series 2019 Notes primarily for the construction of the Wildlight medical services center and lease interest expense in accordance with GASB No. 87 reporting.

In relation to the statements of net position, total assets decreased from the prior year by \$13,299,035 primarily as a result of a decrease in other receivables and a decrease in net book value of capital assets. Cash and cash equivalents changed from the prior year by only \$35,950. UPL funding was delayed past the fiscal year in both FY 2025 and FY 2024. Included in the cash and cash equivalents is the UFJP balance of \$18.5 million in SPIA. Total capital assets, net decreased as a result of no new clinics and amortization of the right-of-use lease assets.

Current liabilities decreased by \$3,280,543, and the category with the largest change was a decrease in accounts payable of \$5,474,840. Long-term debt decreased as a result of the annual amortization of the lease liability and the scheduled principal payment on the 2019 tax-exempt, bank-held note. The interest rate for the Series 2019 Notes was a fixed rate swap effective for 15 years beginning February 2020. The estimated fair value of the interest rate swap is reflected as a

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Management's Discussion and Analysis - Continued

\$1,041,777 long-term asset. The total outstanding principal balance of the Series 2019 Notes on June 30, 2025, was \$23,345,000.

FINANCIAL ANALYSIS

The basic financial statements making up the 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 Company 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. For a further discussion of accounting and reporting policies, see Note B to the financial statements.

The statements of net position are a reflection of the financial health of the Company at the end of the fiscal year.

CONDENSED STATEMENTS OF NET POSITION - ASSETS

	<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	\$ 24,427,973	\$ 24,463,923	\$ (35,950)	-0.1%
Patient accounts receivable, net	26,180,393	20,210,826	5,969,567	29.5%
Current portion of lease receivables	138,130	107,572	30,558	28.4%
Other receivables	43,682,185	55,772,314	(12,090,129)	-21.7%
Prepaid expenses and other current assets	2,748,520	2,201,875	546,645	24.8%
Due from related parties	13,108,915	11,465,442	1,643,473	14.3%
TOTAL CURRENT ASSETS	110,286,116	114,221,952	(3,935,836)	-3.4%
NON-CURRENT ASSETS				
Estimated fair value of interest rate swap	1,041,777	1,640,991	(599,214)	-36.5%
Lease receivables, less current portion	549,147	546,462	2,685	0.5%
TOTAL NON-CURRENT ASSETS	1,590,924	2,187,453	(596,529)	-27.3%
CAPITAL ASSETS, NET	80,747,542	89,514,212	(8,766,670)	-9.8%
TOTAL ASSETS	\$ 192,624,582	\$ 205,923,617	\$ (13,299,035)	-6.5%

Current assets decreased this year by \$3.9 million or 3.4% to a total of \$110,286,116. This decrease is due to multiple factors. Cash and cash equivalents at \$24,427,973 reflect just a small decrease of 0.1% from last year's balance. The balance is composed of \$5,728,834 in operating cash accounts and \$18,699,139 in SPIA and other short-term investment accounts. Patient accounts receivable, at a net balance of \$26,180,393, represents amounts expected to be collected from patients as well as insurers or government programs and is significantly higher (29.5%) than prior fiscal year. Other receivables ended the year with a balance of \$43,682,185, a substantial decrease of just over \$12 million, 21.7% below the balance at June 30, 2024. Approximately 84% of this balance, or \$36.7 million, is related to the UPL funding. This is a decrease, though, of nearly \$6.9 million from the balance at June 30, 2024. The Company recognized almost \$6 million less of UPL revenue in fiscal year 2025 compared to fiscal year 2024, and as of June 30, 2025, the Company had not received any of the funding that flows through the managed care organizations.

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Management's Discussion and Analysis - Continued

Receivables for contract revenue stand at \$6,643,680 at year end, primarily from contracts with Wolfson Children's Hospital. This balance is \$5.2 million or 43.7% lower than last year, with all of the decrease coming from the contracts with Wolfson. Due from related parties is up \$1.6 million this year, at \$13,108,915. Nearly all of this balance is from UF Health Jacksonville, as the hospital was a month behind in payments at the end of the fiscal year and also owed approximately \$5.5 million for several support arrangements that were agreed to near the end of the fiscal year. There is also a small amount as a receivable from Faculty Clinic, Inc. Prepaid expenses at \$2,748,520 million is up by over \$500,000 from prior year, mostly due to an increase of \$382,000 in the PC inventory as purchases have been made in preparation for an organization-wide upgrade of older PCs. The current and non-current lease receivable accounts total \$687,277, up about \$33,200 from prior fiscal year. With GASB Statement No. 87, for any leases which the Company is the lessor, the present value of lease payments expected to be received during the lease terms is recorded as assets, with the amounts to be received in the next twelve months designated as a current asset. The Company has several property leases or sub-leases.

Also, in the Non-Current Assets section, and related to the Series 2019A and Series 2019B notes, is an asset for the estimated fair value of an interest rate swap agreement. This balance is down to \$1,041,777 from last year's balance of \$1,640,991. When the notes were issued, the Company also entered into an interest rate swap agreement with a start date of February 1, 2020, the end of the construction draw period. The effective fixed rate of the Series 2019 Notes is 2.27%, before fees, compared to the current variable rate of 3.58% at June 30, 2025, which is down from the rate at June 30, 2024, of 4.41%. The asset amount is the estimated market value of the swap agreement based on the rate difference on the balance of the debt for the term of the agreement. For further information on this, see Note J in the financial statements.

CAPITAL ASSETS

	<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:				
Land and improvements	\$ 3,748,493	\$ 3,748,493	\$ -	0.00%
Building	24,786,014	25,808,012	(1,021,998)	-3.96%
Equipment	11,385,596	13,179,996	(1,794,400)	-13.61%
Computer software	441,152	570,329	(129,177)	-22.65%
Leasehold improvements	6,756,957	6,503,552	253,405	3.90%
Construction in progress	1,289,953	509,974	779,979	152.94%
Right-of-use assets	32,339,377	39,193,856	(6,854,479)	-17.49%
CAPITAL ASSETS, NET	\$ 80,747,542	\$ 89,514,212	\$ (8,766,670)	-9.79%

The Company's investment in capital assets, net of accumulated depreciation and amortization, is the largest asset category. However, the 2025 fiscal year-end balance of \$80,747,542 is almost \$8.8 million less than the 2024 fiscal year-end balance. Approximately \$6,321,000 in capital assets were acquired during fiscal year 2025, offset by annual depreciation and amortization of \$6,766,000, as well as \$6,801,000 of amortization of right-of-use assets. Right-of-use assets stem from the implementation of GASB Statements No. 87 and No. 96. They are initially recorded at an amount equal to the initial measurement of the related lease liability. These are primarily property type leases but includes equipment leases for copiers. This amount is amortized on a

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Management's Discussion and Analysis - Continued

straight-line basis over the life of the various leases. The balance in this account at June 30, 2025, also includes subscription assets and is now down to \$32,339,377.

Outside of the right-of-use assets, the "Building" category remains the largest component of the traditional capital assets. This category is composed of the Wildlight medical services building, the multi-service clinic at the UF Health East facility, and a facility used for a Primary Care clinic.

A number of additions were made to capital assets in fiscal year 2025, though not at the high dollar level of the past several years. About \$1.1 million was added in Leasehold Improvements, approximately half of which was recorded as construction in progress (CIP) in fiscal year 2024 and was transferred in this year. The largest projects were the remodel of the surgery department's administrative and clinical space in the Faculty Clinic building for \$400,000 and the renovations in the developmental pediatrics building for \$193,000. A number of smaller projects were completed at various outpatient clinics.

New equipment purchases totaled just under \$2.4 million for fiscal year 2025, and an additional \$505,000 was transferred in from CIP relating to equipment purchased for the Capsultech vitals machine integration with Epic. The costs for capital assets acquired for the medical departments were around \$1,700,000. Included in this total is \$603,000 for OB/GYN, \$170,000 for Ophthalmology, \$157,000 for Radiology, and \$400,000 for Surgery. Approximately \$250,000 of equipment purchases were for the satellite clinics.

The balance in the construction in progress category at June 30, 2025, is just under \$1,290,000. The two largest components of this are \$689,000 for renovations of the Lem Turner clinic building and \$397,000 for the third phase of the surgery department remodel.

Purchases related to information systems and technology totaled about \$980,000. Of this total, \$513,000 was for the implementation of the vital machine integration with Epic project previously mentioned above. Approximately \$140,000 was for storage expansion. An additional \$197,000 was added for an Epic System infrastructure refresh. The cost of information system software and technology to provide professional services billing, appointment scheduling, point of service functions, the electronic health records (EHR), and other related processes, resides on the Company's books. This is an enterprise system that provides an EHR, revenue cycle, and ancillary system software for hospitals and physicians that interfaces seamlessly. The amount being recorded on the Company's books is an allocation of costs incurred based on appropriate metrics, with the assumption that software and support infrastructure will benefit all entities on both campuses (Jacksonville and Gainesville). A detail of all additions, retirements, and accumulated depreciation is provided in Note F.

PATIENT ACCOUNTS RECEIVABLE

	<i>Year Ended June 30,</i>	<i>Year Ended June 30,</i>	<i>Increase</i>	<i>Percent</i>
	<i>2025</i>	<i>2024</i>	<i>(Decrease)</i>	<i>Change</i>
Beginning accounts receivable	\$ 75,435,612	\$ 66,795,897	\$ 8,639,715	12.93%
Charges	909,651,135	790,143,950	119,507,185	15.12%

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Management's Discussion and Analysis - Continued

	Year Ended June 30,		Increase	Percent
	2025	2024	(Decrease)	Change
Payments	(323,338,472)	(300,875,658)	(22,462,814)	7.47%
Write-off for contractual adjustments and bad debts	(570,642,467)	(480,628,578)	(90,013,889)	18.73%
Patient accounts receivable	91,105,808	75,435,611	15,670,197	20.77%
Reserve for contractual adjustments and bad debts	(64,925,415)	(55,224,785)	(9,700,630)	17.57%
Total patient accounts receivable, net	\$ 26,180,393	\$ 20,210,826	\$ 5,969,567	29.54%

Net patient accounts receivable is up significantly from last year and is now 13.6% of the Total Assets. Net of estimated uncollectibles and contractual adjustments, the balance in this category increased to \$26,180,393 at the end of fiscal year 2025. Gross patient service charges, Payments, and Write-offs for contractual adjustments and bad debts are all higher than last year, with increases ranging from 7.5% to 18.7%. The Reserve for contractual adjustment and bad debt is up from last year at \$64,925,415 and represents 71.3% of the gross patient accounts receivable. Management believes this is a good estimate of the uncollectible amounts and subsequently the collectible amount represented by the net patient receivable, based on historical trends and the composition of the patient accounts receivable.

CONDENSED STATEMENTS OF NET POSITION - LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

	June 30,		Increase	Percent
	2025	2024	(Decrease)	Change
CURRENT LIABILITIES:				
Due to related parties	\$ 2,491,329	\$ 1,407,135	\$ 1,084,194	77.05%
Accounts payable	25,944,655	31,419,495	(5,474,840)	-17.42%
Unearned revenue	478,146	598,146	(120,000)	-20.06%
Accrued compensation and benefits	18,789,245	17,915,260	873,985	4.88%
Accrued interest	84,385	99,607	(15,222)	-15.28%
Current portion of long-term debt	1,000,000	1,000,000	-	0.00%
Current portion of lease liability	6,193,690	5,765,274	428,416	7.43%
Current portion of subscription liability	49,452	106,528	(57,076)	-53.58%
TOTAL CURRENT LIABILITIES	55,030,902	58,311,445	(3,280,543)	-5.63%
OTHER LONG-TERM LIABILITIES:				
Long-term debt, less current portion	22,345,000	23,345,000	(1,000,000)	-4.28%
Lease liability, less current portion	28,915,005	35,576,780	(6,661,775)	-18.73%
Subscription liability, less current portion	-	49,452	(49,452)	-100.00%
TOTAL LIABILITIES	\$ 106,290,907	\$ 117,282,677	\$ (10,991,770)	-9.37%
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	632,948	455,846	177,102	38.85%
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 632,948	\$ 455,846	\$ 177,102	38.85%

The accounts payable balance is \$25,944,655 at June 30, 2025, down 17.4% or \$5.5 million from prior year. This category is generally comprised of amounts due to vendors who provide goods and services used for daily operations. These include medical and office supplies, temporary services, recruitment, etc. The main factor in the reduction from the prior year is a \$4 million adjustment to a liability account related to GASB Statement No. 87 lease accounting. Included this year are accruals for locum tenens expense incurred in fiscal year 2025 but not paid at year end;

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Management's Discussion and Analysis - Continued

however, the amount still due is less than the amount that was due at the end of fiscal year 2024. Included in the total is \$14,673,657 payable to the Agency for Health Care Administration (AHCA) to account for potential refunds for Low Income Pool (LIP) payments previously received. AHCA has begun a process of auditing each year of LIP payments, and initial audits for funds received in fiscal years 2018 through 2022 indicated a potential combined net payable of \$8.3 million. A liability of about \$800,000 has been recorded relating to a new exchange plan, which pays primary care services on a capitated basis, but where the Company believes payments have also been made on a fee-for-service basis.

Accrued compensation and benefits, at \$18,789,245, are up slightly from June 30, 2024. The total increase is about \$874,000 or 4.9%. The year-end balance for accrued salaries and other compensation was \$4,733,000, as due to timing, there were six days of compensation that were unpaid at June 30, 2025. Also included in this category is \$7,503,000 for accrued paid time off and \$4,999,000 of accrued health insurance expense.

The line item, unearned revenue, represents payments the Company has received to fund expenses related to the start-up of an Accountable Care Organization (ACO).

Long-term debt totals \$23,345,000 at year-end 2025, including the current portion of \$1,000,000. In fiscal year 2019, two new Healthcare Facilities Revenue Notes, Series 2019A and Series 2019B, were issued on behalf of the Company. The proceeds of the Series 2019A note, \$3,655,000, were used to refund the outstanding principal balance of tax-exempt Health Facilities Revenue Bonds that were issued in May 2002. The Series 2019A note was paid off in fiscal year 2022 with a final payment of \$980,000 in June 2022. The Series 2019B note was used to finance the project costs of the Wildlight medical services facility. The initial balance on this note was \$26,345,000, the maximum amount authorized to be borrowed on the Series 2019B note, with annual principal payments due beginning June 1 of each year. For further information on this debt, including the repayment schedule, see Note G in the financial statements.

As a reminder, with the implementations of GASB Statements No. 87 and No. 96 over the past several years, the present values of lease payments are now recorded as lease liabilities at the commencement of the agreements. At June 30, 2025, these amounts were \$6,193,690 for the current portion (due within 12 months) and \$28,915,005 for the long-term portion for a total lease liability of \$35,108,695. This balance is down from the total lease liability of \$41,342,054 at June 30, 2024. The balance reduces each year as lease payments are made. If the leases are renewed and extended, then the balance would be recalculated based on the new terms of the leases. There is also \$84,385 of accrued interest recorded, related to the July 2025 lease payments. Similarly, with GASB Statement No. 96, the present value of software subscription services is also recorded as a liability. At June 30, 2025, the Company had a current liability of \$49,452 and no long-term liability related to software subscriptions.

Lastly, the amount due to related parties stands at \$2,491,329, an increase of almost \$1.1 million from fiscal year end 2024. The largest portion of the current year balance is fees and other expenses owed to the University of Florida, at \$1,344,578. This amount is up by just over \$217,000 from

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Management's Discussion and Analysis - Continued

last year. The amount due to Shands at the University of Florida, Inc. for Epic and other related software costs is \$1,085,099, which represents an increase of nearly \$922,000 from June 30, 2024. This represents three months of Epic maintenance expense (\$382,000) and the fiscal year 2025 managed care allocation of \$667,000 for which the company has not been invoiced. Also included in the overall total is \$61,652 owed to UF Health Jacksonville.

Also related to GASB Statement No. 87, a deferred lease revenue was recorded in fiscal year 2022, which now has a current balance of \$632,948 and represents the present value of future lease payments from the organizations that lease space from UFJP. This balance will be amortized on a straight-line basis over the terms of the leases.

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

	<i>Year Ended June 30,</i>	<i>Year Ended June 30,</i>	<i>Increase</i>	<i>Percent</i>
	<i>2025</i>	<i>2024</i>	<i>(Decrease)</i>	<i>Change</i>
OPERATING REVENUE:				
Net patient service revenue	\$ 359,684,646	\$ 336,306,723	\$ 23,377,923	6.95%
Other revenue	5,658,948	11,461,801	(5,802,853)	-50.63%
Charity care settlement	8,761,032	8,297,717	463,315	5.58%
Contributions from Shands Jacksonville Medical Center, Inc.	67,824,196	50,586,079	17,238,117	34.08%
Management and other fees	32,004	32,004	-	0.00%
Lease interest income	17,025	16,387	638	3.89%
TOTAL OPERATING REVENUE	441,977,851	406,700,711	35,277,140	8.67%
OPERATING EXPENSES:				
Salaries and benefits	171,843,560	144,887,367	26,956,193	18.60%
Other operating expenses	58,518,497	57,193,190	1,325,307	2.32%
Dean's Fund	7,288,460	7,495,965	(207,505)	-2.77%
Program support accounts	1,012,584	924,232	88,352	9.56%
TOTAL OPERATING EXPENSE	238,663,101	210,500,754	28,162,347	13.38%
OPERATING INCOME	203,314,750	196,199,957	7,114,793	3.63%
NONOPERATING REVENUE (EXPENSES):				
Interest expense	(1,064,318)	(922,304)	(142,014)	15.40%
Lease interest expense	(1,095,761)	(1,282,097)	186,336	-14.53%
Investment gain	901,522	652,909	248,613	38.08%
Lease related gain	4,040,568	-	4,040,568	100.00%
Change in mark-to-market of interest rate swap	(599,214)	288,882	(888,096)	-307.43%
NET NONOPERATING REVENUE (EXPENSES)	2,182,797	(1,262,610)	3,445,407	-272.88%
INCREASE IN NET POSITION BEFORE TRANSFERS	205,497,547	194,937,347	10,560,200	5.42%
TOTAL TRANSFERS	(207,981,914)	(188,476,308)	(19,505,606)	10.35%
INCREASE (DECREASE) IN NET POSITION	\$ (2,484,367)	\$ 6,461,039	\$ (8,945,406)	-138.45%

Operating Revenues: Total operating revenue net of the estimated provision for contractual adjustments and uncollected amounts totaled \$441,977,851, an increase of just over \$35.2 million or 8.7% from prior year. Net patient service revenue of \$359,684,646, up 7.0% from fiscal year 2024, is the largest component. There were increases in ER visits of 4.3%, deliveries of 1.6%, and surgical procedures of 3.2% over prior year. The three free-standing emergency room / urgent care centers opened by the Hospital in March and April of 2023 generated just under 44,000 urgent care visits in fiscal year 2025 and were also a major factor of the increase in ER visits in fiscal

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Management's Discussion and Analysis - Continued

year 2025. Outpatient visits increased by about 43,000 visits or 5.6%. Contributing to this growth was an increase in visits at the new UF Health East and Deerwood MOB, which opened in mid-fiscal year 2023. Visits were up by about 3,400 or 7% from fiscal year 2024. There was also an increase of approximately 12,300 visits at the primary care (family medicine and pediatric) locations. An improved payor mix, as compared to fiscal year 2024, with a higher ratio of commercial charges and lower ratio of Medicaid and indigent charges, led to a higher collection rate in fiscal year 2025, improving net patient revenue. Another factor for the growth in revenue was an increase of \$8.4 million in capitated revenue from two ACA exchange plans. For fiscal year 2025, UPL funds were \$35,300,012, and the LIP funding was \$16,000,000. The UPL total represents a reduction from fiscal year 2024 of \$5,975,000, while the LIP total represents an increase of \$1,280,000, respectively. See Note C for a detailed description of the UPL and LIP programs. Continued participation in Pay for Performance, Value-Based and Shared Savings plans resulted in just over \$8.3 million recorded as revenue during the current fiscal year, which, unfortunately, is a decrease of about \$8.9 million as fiscal year 2024 included \$7.0 million received from prior period settlements. These payments come mainly from Blue Cross Blue Shield, Humana, Ambetter, United, and Wellcare programs that reward physicians based on quality and cost containment measures. Indirect patient service revenue related to contractual arrangements increased by 3.0%, or \$735,000, to \$25,086,449. Approximately 84% of contract revenue, and all of the increase, is related to programs in the Department of Pediatrics.

Contributions from UF Health Jacksonville, which is the second largest category of revenue, increased by \$17,238,000 in fiscal year 2025 to \$67,824,196. The increase came primarily from additional funding for anesthesia related costs. UF Health Jacksonville funds various support services for the Company, including medical directorships, the trauma program, various inpatient unit coverage, academic support, administrative support, and other areas. UF Health Jacksonville also provides funding to cover the deficits incurred by the Company of certain hospital-based clinics.

Other revenue was \$5,658,948, a decrease from the \$11,461,801 recorded for fiscal year 2024. The Charity care settlement revenue had a small 5.6% increase to \$8,761,032.

Operating Expenses: Total operating expenses of \$238,663,101 (excluding transfers) represent an increase of \$28,162,347 or 13.4% over last year. Salaries and benefits for UFJP staff easily remain the most significant cost, at 72% of the total operating expenses. These expenses amounted to \$171,843,559 for fiscal year 2025, up \$26.9 million or 18.6% from last year's total of \$144,887,367. Salaries for all UFJP staff total around \$127.1 million, with another \$4 million in extra duty and incentive pay for Advanced Practice Providers (APPs). The second half of a market rate adjustment, the first half of which was implemented in April 2023, was implemented on July 1, 2024, creating an increase in expense over fiscal year 2024. A 3% merit raise pool was provided to UFJP staff effective January 19, 2025, which caused higher salary expense in the second 6 months of fiscal year 2025, as compared to the second 6 months of fiscal year 2024. The costs of employee benefits for UFJP employees totaled \$23,009,000 for fiscal year 2025, a decrease of \$494,000 or 2.1% below prior year. Of that total, health insurance costs accounted for \$12,944,000 or about 56.3%. Other large components are FICA tax expense at \$6,081,000; retirement

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Management's Discussion and Analysis - Continued

contributions at \$1,820,000; and PTO accrual at \$1,657,000. Also included in the salaries and benefits category is the cost of Certified Registered Nurse Anesthetists (CRNAs) being used through locum tenens companies (temporary services) for anesthesiology services. The total for this expense in fiscal year 2025 was \$10,658,000, approximately \$5.8 million more than prior year. This category also includes locum tenens expense related to physician coverage. This expense grew from \$3.5 million in fiscal year 2024 to almost \$7.9 million in fiscal year 2025.

Other operating expenses totaled \$58,518,497 and represent the second largest category of expenditures. This total reflects a \$1.3 million or 2.3% increase over prior year. The category includes such UFJP costs as lease amortization expense, utilities, medical supplies, office supplies, temporary services, repairs and maintenance, and depreciation and amortization on capital assets. Several components were the primary contributors to the large increase. Fees increased by about \$750,000 for the year. Another area of increase is medical, lab, and drug supplies, which increased by a little more than \$770,000 due to both inflationary price increases as well as volume increases, and now totals over \$10.5 million for the year. Repair and maintenance expense for both equipment and property, including maintenance contracts, increased by \$792,000. Several categories had significant decreases, partially offsetting these increases. Depreciation expense, along with amortization of right-of-use assets, decreased by \$1.2 million, and temporary services decreased by \$408,000. The largest categories of expense, in terms of total amount spent, are:

- Fees for outside services at \$12.7 million.
- Medical, lab, and drug supplies at \$10.5 million.
- Amortization of right-of-use assets at \$6.8 million.
- Depreciation and amortization on capital assets at \$6.8 million and
- Repairs and maintenance at \$6.1 million.

The expense categories representing the Dean's Fund totaled \$7,288,460, while expenses in the program support accounts amounted to \$1,012,584. The Dean's Fund total represents a decrease from fiscal year 2024 of \$207,505, a modest 2.7% reduction.

Non-Operating Items: Non-operating consists of such items as interest expense, interest income, unrealized gains/losses, and gains/losses on disposal of assets. In total, there was net non-operating revenue for the current year of \$2,182,797 compared to net non-operating expense of \$1,262,610 in fiscal year 2024. For the current year, there was an unrealized gain of \$173,148 in the amount invested in SPIA with the state of Florida. Interest income, included on the investment gain line, at \$728,374, is \$464,000 higher than last year, while interest expense, at \$1,064,318, is about 15.4% higher than prior year. Also impacting the non-operating items was the interest rate swap on the long-term debt. The interest rate swap was entered in February 2020 when the variable one-month benchmark rate (LIBOR) was at 1.7%. The subsequent decrease in the rate environment created the need for the Company to record an unrealized loss in fiscal year 2020 for the change

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Management's Discussion and Analysis - Continued

in mark to market of the interest rate swap, in the amount of \$5,341,024, and a corresponding liability. In fiscal years 2021, 2022, and 2023, due to the change in the variable interest rate, the liability was eventually eliminated, and an asset was recorded as the Company recorded unrealized gains of \$2,161,494, \$3,276,814, and \$1,254,825, respectively. Again, in fiscal year 2024, the Company was able to record an unrealized gain, although at a lesser amount of \$288,882. However, due to a drop in interest rates, an unrealized loss had to be recorded in fiscal year 2025 in the amount of \$599,214. During fiscal year 2023, the benchmark rate was updated to the Secured Overnight Financing Rate (SOFR) as part of the phase-out of LIBOR. For a more detailed explanation on the change in long-term debt, see the discussion in the liability section above and refer to Note J in the financial statements. Also, now included in the non-operating section is lease interest expense for the interest portion of lease payments that fall under GASB Statement No. 87 and software subscriptions that fall under GASB Statement No. 96. For fiscal year 2025, the combined amount of this expense is \$1,095,761. The total for fiscal year 2025 also includes a non-operating gain of \$4,040,568 related to an adjustment to a GASB Statement No. 87 lease liability account.

Transfers: Transfers represent payments to the University to cover the expenses of salaries and benefits of the faculty physicians and other UF staff. The amount paid increased by \$19,505,606 or 10.3% to \$207,981,914 for fiscal year 2025. Faculty physician FTEs increased by 26.9 or 5.6% over the prior year, to 504.8. The increase in FTEs accounted for approximately \$9.3 million of the overall increase. There was also a raise pool for the faculty physicians and UF staff that was effective July 2024. In addition, there were a number of equity increases for the faculty. The amount of incentives and bonuses for the faculty decreased by about \$2.7 million from fiscal year 2024, while the amount paid out as one-time or lump sum payments increased by \$1.4 million. The salary expense for the staff employed by the University increased by \$2.3 million, and benefits increased by \$635,000. There were small reductions to the fringe benefit rates charged by the University on faculty salaries and UF TEAMS employees' (non-faculty staff) salaries, which led to a minimal reduction in payments.

CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended 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	\$ 221,129,482	\$ 208,044,022	\$ 13,085,460	6.29%
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(207,981,914)	(188,476,308)	(19,505,606)	10.35%
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(14,228,899)	(16,485,509)	2,256,610	-13.69%
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,045,381	501,151	544,230	108.60%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,950)	3,583,356	(3,619,306)	-101.00%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,463,923	20,880,567	3,583,356	17.16%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,427,973	\$ 24,463,923	\$ (35,950)	-0.15%

Cash Provided by Operating Activities: Net cash provided by operating activities for the year was \$221,129,482, reflecting a notable increase of over \$13 million from last year. Total cash receipts

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Management's Discussion and Analysis - Continued

from operating activities had an increase of about \$57.2 million and totaled \$447,419,134. As with prior years, the largest source of cash, at \$360,625,542, and up from last year by \$35.9 million, was from clinical services provided by UF faculty and advanced practice providers to patients, as well as from UPL and LIP payments. The funds for these services come from Medicare, Medicaid, other insurers and institutions, as well as patients themselves. The next highest source of cash was from receipts from affiliates which, at \$67,264,917 is \$23.0 million more than last year's receipts in this category, due to the hospital increasing their funding in fiscal year 2025. Payments for the charity care settlement increased by approximately \$463,000 to \$8,761,032. Receipts from other revenue were down by \$1.6 million in fiscal year 2025 to \$10,718,614.

Total cash expended for operating activities was \$226,289,652, a \$44.1 million or 24.2% increase over the amount expended last year. By far, the largest use of cash, accounting for more than 75.6% of operating expenditures, is for the salaries and benefits for UFJP employees, and totaled \$170,969,575 for fiscal year 2025, an increase of \$29.7 million, or 21% over fiscal year 2024. The increase in the salary and benefit expenses, as explained previously in the Operating Expense section, also leads to a rise in the use of cash. Payments for UF faculty physicians and staff are included below as noncapital financing activities. Payments for operating expenses were \$47,019,033, which was up about \$14.5 million from last year. While operating expenses increased slightly from fiscal year 2024, the accounts payable balance dropped significantly. Payments for the Dean's Fund and program support accounts were down about \$119,000 at \$8,301,044.

Cash Flows From Noncapital Financing Activities: The payments to the University to cover the salaries and benefits of faculty physicians and other UF staff rose from \$188,476,308 to \$207,981,914, representing an increase of \$19,505,606 or 10.3%. This was due to increases in costs related to the salary and benefits for faculty physicians and UF TEAMS (non-faculty staff), as well as timing differences from year to year. Please see the explanation in the Transfers section for more details.

Cash Flows From Capital and Related Financing Activities: Capital and Related Financing Activities was a net use of cash in fiscal year 2025, with a total of \$14,228,899, over \$2.2 million less than the \$16,485,509 used in the prior year. The purchase of capital assets for the year, of \$4,782,635, was about \$238,000 less than last year. See the Capital Assets section in the discussion on assets for more detail regarding capital purchases in fiscal year 2025. Principal payments on long-term debt in fiscal year 2025 were \$1,000,000. Fiscal year 2024 included principal payments of \$2,000,000 on the long-term debt, representing the payments for both 2024 and 2023, as no principal payment was made in fiscal year 2023 due to the bank not drawing the principal payment until September 2023. Interest expense paid on this debt was \$1,064,318 in fiscal year 2025. With GASB Statements No. 87 and No. 96, leases and software subscriptions are treated as financing activities, and payments for these are a use of cash for a financing activity as opposed to an operating activity. Principal payments on lease and subscription liabilities in fiscal year 2025 were \$6,286,185, while related interest payments were \$1,095,761. Combined, these were about \$1,160,000 lower than last fiscal year.

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Management's Discussion and Analysis - Continued

Cash Flows From Investing Activities: The net cash provided by investing activities in fiscal year 2025 was \$1,045,381. This includes both the gain on the SPIA investment and interest income and is more than double the amount from fiscal year 2024, as there was a significant increase in interest income received this year. Details related to investing activities were previously explained in the Non-Operating Items section.

ECONOMIC OUTLOOK

The healthcare industry in the state of Florida has continued to grow with the continued increase in the state's population and the aging of its residents. The Jacksonville physician group's patient volumes increased in Fiscal Year 2025 from the prior year, with patient volumes exceeding Fiscal Year 2024 by over 5.6%. Challenges continue with the availability of qualified workers, increased labor costs, and high inflation. The financial impact to UFJP and UF Health Jacksonville has continued to be higher wages, increased vacancies and increased supply costs. Overall, state and local economies have continued to grow along with an increase in the cost of goods and services, with an annual Northeast Florida inflation rate of 3% in June 2025, which is still above the Federal Reserve's target rate.

The Federal Reserve held the effective federal funds rate at or below 0.10% beginning April 2020 due to the economic impact of the global pandemic. In March 2022, the Federal Reserve began aggressively increasing the federal funds rate, ultimately to 5.5% as inflation became the most significant factor during the recovery from the coronavirus pandemic. In August 2025, the Federal Funds Rate was 4.5% with inflation easing from the pandemic period.

Florida continues to be attractive for individuals relocating from other areas of the country, with the state having four of the twenty fastest growing metropolitan areas in the nation - Orlando, Jacksonville, Tampa-St. Petersburg, and Sarasota-Bradenton. As of June 2025, Florida has an estimated 23.5 million residents, making it the third most populous state in the country. The Northeast Florida and Southeast Georgia population is now estimated to exceed two million people. The primary service area for UFJP consists of Duval, Nassau, Clay, St. Johns, and Baker counties in Northeast Florida. Housing construction and home sales slowed during the past year because of high interest rates and high materials costs. Apartment occupancy remains high, and demand for retail and office space has continued to be lower than the pre-pandemic period. Florida's unemployment rate since February 2020's rate of 3.3% rose to a high of 14.2% in May 2020 during the pandemic, lowered to 5.1% in August 2021, and was 3.7% in August 2025.

As of June 2025, the state of Florida had an estimated 2.6 million uninsured residents under the age of 65, with the Northeast Florida area containing about 6% of the state uninsured total. Florida did not implement Medicaid expansion with the Affordable Care Act in 2010, and implemented statewide Medicaid Reform in May 2014, utilizing a managed care structure. Florida had over 4.1 million eligible Medicaid enrollees as of July 2025, a 13% reduction from the previous year. Medicaid enrollment decreased as a result of stricter eligibility criteria with the end of the federal health emergency. Many residents previously eligible for Medicaid have enrolled in Affordable Care Act (ACA) exchange plans. The Northeast Florida area is now part of Region B's total

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Management's Discussion and Analysis - Continued

787,000 eligible Medicaid enrollees, with the five-county Jacksonville metro area consisting of 296,000 enrollees. About 75% of the Northeast Florida Medicaid enrollees participate in a managed care arrangement compared with 72% statewide.

Associated with the Medicaid program, the UPL or Physicians Supplement Payment program continued this year with the academic centers paid a preset capitation based on the entire Medicaid membership in their region. For fiscal year 2025, as with fiscal year 2024, the practice plan received additional funds related to a Fee for Service Enhancement program with UPL and funding through the State's LIP distribution. Going forward, the overall UPL and LIP payment methodology is anticipated to be similar to previous years. However, recent federal legislation contains a provision to begin reducing UPL funds over a ten-year period to a level of 110% of Medicare rates. This reduction could have a significant impact on services provided through the Florida medical schools. For LIP, uncertainty previously existed for the term of the program beyond 2022, but CMS previously confirmed with the state's Agency for Health Care Administration (AHCA) that the LIP program is scheduled to continue until 2030.

UFJP and UF Health Jacksonville have continued to expand services in Northeast Florida to meet the needs of the growing population in the area. In March 2015, UFJP and UF Health Jacksonville became the primary occupants of the Medical Office Building on the North campus, providing a range of services including emergency medicine, radiology, outpatient surgery, lab services, and physician clinical space. Adjacent to the Medical Office Building, the Hospital opened a bed tower with 92 beds in May 2017, and a second bed tower with 124 beds opened in July 2024. Occupancy and utilization of the North campus has continued to grow with high inpatient occupancy and increased outpatient visits and surgical procedures. In December 2019, UFJP completed the construction of a 43,000 square foot medical services building to primarily serve the residents of the Wildlight master planned community in Nassau County, Florida. The medical services building contains urgent care, imaging, laboratory, primary care, pediatrics, women's health, mental health, orthopedics, urology, and dentistry services. Financing for the Wildlight facility was provided through a bank-held tax-exempt bond at a variable rate. A fixed rate swap agreement was entered at the completion of construction at a rate of 2.27%, before fees. The current variable rate of 3.58% is based on 81% of SOFR-CME + 0.11%.

UF Health Jacksonville opened an outpatient rehabilitation clinic and adjacent YMCA fitness center in the Wildlight community in October 2020. A free-standing outpatient imaging center was opened by UFJP in March 2020 in the Baymeadows area of Jacksonville. A new Brain Wellness Program opened in August 2021 with supplemental funding provided through the Gary Sinise Foundation / Avalon Network and focuses on services for military veterans.

In December 2022, UFJP finalized construction of a multi-service clinic on the second floor of a partially owned facility at JTB/Kernan Boulevard (UF Health East), which also contains a first-floor ambulatory surgery center. The second floor construction was funded with UFJP operating cash, as well as the purchase of MRI and surgery center equipment. Another clinic space was leased in the Deerwood Park area, and the clinical operations at the Emerson Medical Plaza were relocated to the two new clinic spaces at UF Health East and Deerwood Park. University of Florida

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Management's Discussion and Analysis - Continued

surgeons can operate at the new ambulatory surgery center and utilize the on-site MRI imaging services. In 2023, UF Health Jacksonville opened three free-standing emergency department facilities in conjunction with a third-party management company. A fourth free-standing emergency department is planned in Jacksonville, including space for a primary care clinic. University of Florida physicians staff the free-standing emergency departments. UF Health Jacksonville and UFJP are beginning the design for a new multi-service facility located on the westside of Jacksonville to contain primary care, imaging, women's services, and other specialty services.

The local healthcare market remains very competitive in Northeast Florida with five major health systems, including UF Health. UFJP and UF Health Jacksonville are strategically situated to address the competition with the strength of its primary care satellite clinic locations, as well as the UF Health campus on the Northside, the Wildlight medical services and hospital ancillary services buildings in Nassau County, the new free-standing emergency departments, and the new southside facilities - UF Health East and Deerwood Park. UFJP and UF Health Jacksonville are currently working on a number of specific service line growth initiatives to include Neurology, Neurosurgery, General Surgery, Cardiology, and Orthopedics. In September 2023, UF Health announced the completion of Flagler Health+, joining UF Health to include Flagler Hospital in St. Augustine, FL., and a new health campus under development in northern St. Johns County at Durbin Park. UFJP physicians are expected to provide a number of services at the new Durbin Park campus. In December 2023, the UF Board of Trustees established a corporation to serve as the governing body for the UF Health hospitals and physician practices. UFJP staff and UF COM-J physicians have provided pediatric services to the local children's hospital, Wolfson Children's Hospital (WCH), for over four decades. In June 2025, WCH notified UF Health that it would no longer contract for a number of its specialty services beginning in February 2026, but would continue the pediatric residency program with UF Health.

Reimbursement for healthcare services continues to change with different reimbursement models from governmental and commercial payers based on performance. The first year of measurement for MACRA, the Medicare Access and CHIP Reauthorization Act, was in calendar year 2017, and its resulting changes in reimbursement under the Merit-based Incentive Program System (MIPS) was effective for calendar year 2019. Under the MIPS structure for Medicare, providers are rated based on service-value criteria, and good performers are granted increases in rates, and underperformers have rate decreases. UFJP has been consistently ranked as a good performer under the MIPS structure. The Physician Quality Reporting System (PQRS) and Meaningful Use programs for Medicare were merged along with the Value-Based Modifier program into MACRA. These "Pay for Performance Programs", along with Shared Savings programs with commercial payors, have been significant for UFJP, with over \$71 million received and over \$12.8 million in Meaningful use since inception. The Quality/Pay for Performance models going forward with commercial payers will be primarily a shared-savings model, which UFJP already participates. In 2023, UF Health was approved for two Accountable Care Organizations (ACOs), one each for the Jacksonville and Gainesville physician groups, to participate in the Medicare Shared Savings Program (MSSP) and further enhance value-based reimbursement. During fiscal year 2024, UF Health engaged Kaufman Hall to evaluate opportunities through revenue cycle, pharmacy, and

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Management's Discussion and Analysis - Continued

supply chain enhancements at its hospitals and physician practices. Improvement plans have been implemented with the largest UFJP revenue opportunity in the coding and documentation areas.

The UF Health enterprise remains dedicated to remaining current and utilizing features of constantly evolving health information systems. Epic software applications have been in place at UFJP since November 2012, beginning with scheduling, registration, billing, collections, and then an electronic medical records system with the ability to auto-charge capture. EPIC modules were implemented at the Shands Jacksonville and Shands Gainesville hospitals prior to 2012. Additional modules were then implemented, including population health management, online patient portal and medical records, integrated eligibility and enrollment, automated patient refunds, credit card integration, and integrated lab orders and results. The UF Health system has begun an overall EPIC modernization project to reset the EPIC structure closer to the foundational base. This will allow UF Health to take advantage of future application improvements and standardize operating support and maintenance.

CONTACTING THE COMPANY'S FINANCIAL MANAGEMENT

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

Financial Statements

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Statements of Net Position

	<i>June 30,</i>	
	<i>2025</i>	<i>2024</i>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,427,973	\$ 24,463,923
Patient accounts receivable, net of estimated uncollectibles and contractual adjustments of \$64,925,415 in 2025 and \$55,224,785 in 2024	26,180,393	20,210,826
Current portion of lease receivables	138,130	107,572
Other receivables	43,682,185	55,772,314
Prepaid expenses and other current assets	2,748,520	2,201,875
Due from Shands Jacksonville Medical Center, Inc.	13,030,088	11,452,855
Due from Faculty Clinic, Inc.	78,827	12,587
TOTAL CURRENT ASSETS	110,286,116	114,221,952
NON-CURRENT ASSETS:		
Estimated fair value of interest rate swap	1,041,777	1,640,991
Lease receivables, less current portion	549,147	546,462
TOTAL NON-CURRENT ASSETS	1,590,924	2,187,453
CAPITAL ASSETS:		
Land	3,748,493	3,748,493
Building	31,482,135	31,482,135
Equipment	51,155,677	48,259,332
Computer software	16,423,516	16,320,923
Leasehold improvements	20,599,785	19,528,088
Construction in progress	1,289,953	509,974
Right-of-use lease assets	54,843,380	58,325,467
Right-of-use subscription assets	400,514	323,754
TOTAL CAPITAL ASSETS	179,943,453	178,498,166
Accumulated depreciation and amortization	(99,195,911)	(88,983,954)
TOTAL CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	80,747,542	89,514,212
TOTAL ASSETS	\$ 192,624,582	\$ 205,923,617

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Statements of Net Position - Continued

	<i>June 30,</i>	
	<i>2025</i>	<i>2024</i>
LIABILITIES		
CURRENT LIABILITIES:		
Due to University of Florida	\$ 1,344,578	\$ 1,127,493
Due to Shands Jacksonville Medical Center, Inc.	61,652	116,449
Due to Shands at the University of Florida, Inc.	1,085,099	163,193
Accounts payable	25,944,655	31,419,495
Accrued compensation and benefits	18,789,245	17,915,260
Accrued interest	84,385	99,607
Unearned revenue UF Health ACO, Jacksonville, LLC	478,146	598,146
Current portion of long-term debt	1,000,000	1,000,000
Current portion of lease liabilities	6,193,690	5,765,274
Current portion of subscription liabilities	49,452	106,528
TOTAL CURRENT LIABILITIES	55,030,902	58,311,445
OTHER LIABILITIES:		
Long-term debt, less current portion	22,345,000	23,345,000
Lease liabilities, less current portion	28,915,005	35,576,780
Subscription liabilities, less current portion	-	49,452
TOTAL LIABILITIES	106,290,907	117,282,677
DEFERRED INFLOW OF RESOURCES		
Deferred lease revenue	632,948	455,846
TOTAL DEFERRED INFLOW OF RESOURCES	632,948	455,846
COMMITMENTS AND CONTINGENCIES -		
Note L		
NET POSITION:		
Net investment in capital assets	22,244,395	23,671,178
Unrestricted	63,456,332	64,513,916
TOTAL NET POSITION	85,700,727	88,185,094
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 192,624,582	\$ 205,923,617

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Statements of Revenue, Expenses, and Changes in Net Position

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
OPERATING REVENUE:		
Patient service revenue, net of contractual allowance and discounts	\$ 409,675,779	\$ 380,994,091
Provision for bad debts	(49,991,133)	(44,687,368)
Net patient service revenue	359,684,646	336,306,723
Other revenue	5,658,948	11,461,801
Charity care settlement	8,761,032	8,297,717
Contributions from Shands Jacksonville Medical Center, Inc.	67,824,196	50,586,079
Lease interest income	17,025	16,387
Management and other fees	32,004	32,004
TOTAL OPERATING REVENUE	441,977,851	406,700,711
OPERATING EXPENSES:		
Salaries and benefits	171,843,560	144,887,367
Other operating expenses	58,518,497	57,193,190
Dean's Fund	7,288,460	7,495,965
Program support accounts	1,012,584	924,232
TOTAL OPERATING EXPENSES	238,663,101	210,500,754
OPERATING INCOME	203,314,750	196,199,957
NONOPERATING REVENUE (EXPENSES):		
Interest expense	(1,064,318)	(922,304)
Lease and subscription interest expense	(1,095,761)	(1,282,097)
Investment gain	901,522	652,909
Lease related gain	4,040,568	-
Change in mark-to-market of interest rate swap	(599,214)	288,882
NET NONOPERATING REVENUE (EXPENSES)	2,182,797	(1,262,610)
INCREASE IN NET POSITION BEFORE TRANSFERS	205,497,547	194,937,347
TRANSFERS:		
Transfers to the University of Florida, College of Medicine	(207,981,914)	(188,476,308)
INCREASE (DECREASE) IN NET POSITION	(2,484,367)	6,461,039
NET POSITION, BEGINNING OF YEAR	88,185,094	81,724,055
NET POSITION, END OF YEAR	\$ 85,700,727	\$ 88,185,094

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Statements of Cash Flows

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on behalf of patients	\$ 360,625,542	\$ 324,733,885
Receipts from other revenue	10,718,614	12,337,891
Receipts from charity care settlement	8,761,032	8,297,717
Receipts from affiliates	67,264,917	44,239,393
Other receipts	49,029	646,537
Payments to and on behalf of employees	(170,969,575)	(141,293,234)
Payments for operating expenses	(47,019,033)	(32,497,970)
Payments to Dean's Fund	(7,288,460)	(7,495,965)
Payments to program support accounts	(1,012,584)	(924,232)
NET CASH PROVIDED BY OPERATING ACTIVITIES	221,129,482	208,044,022
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to the University of Florida, College of Medicine	(207,981,914)	(188,476,308)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(207,981,914)	(188,476,308)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(4,782,635)	(5,020,877)
Principal payments on lease and subscription liabilities	(6,286,185)	(7,260,231)
Principal payments on long-term debt	(1,000,000)	(2,000,000)
Interest paid - lease and subscription liabilities	(1,095,761)	(1,282,097)
Interest paid - debt	(1,064,318)	(922,304)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(14,228,899)	(16,485,509)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and other	1,045,381	501,151
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,045,381	501,151
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,950)	3,583,356

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Statements of Cash Flows - Continued

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,463,923	20,880,567
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,427,973	\$ 24,463,923
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 203,314,750	\$ 196,199,957
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	13,566,786	14,792,130
Provision for bad debts	49,991,133	44,687,368
Increase (decrease) in cash due to change in:		
Patient accounts receivable, net	(55,960,700)	(49,970,871)
Other receivables	12,090,129	(5,413,245)
Prepaid expenses and other current assets	(546,645)	(76,394)
Due to/from Shands Jacksonville Medical Center, Inc., net	(1,632,030)	(4,528,087)
Due to/from Shands at the University of Florida, Inc., net	921,906	(440,952)
Due to/from Faculty Clinic, Inc., net	(66,240)	65,885
Due to University of Florida	217,085	(1,443,532)
Accounts payable and accrued interest	(1,520,677)	9,979,484
Accrued compensation and benefits	873,985	3,594,133
Unearned revenue UF Health ACO, Jacksonville, LLC	(120,000)	598,146
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 221,129,482	\$ 208,044,022
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING		
Capital asset additions in accounts payable	\$ 265,014	\$ 193,831

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

NOTE A--REPORTING ENTITY

University of Florida Jacksonville Physicians, Inc. (the Company), a component unit of the University of Florida (the University), is an approved faculty practice plan and health services support organization of the University of Florida Board of Trustees organized to support the clinical activities and the educational, research and service programs of the University of Florida College of Medicine (COM). The Company includes physicians who are employees of the University and who engage in the practice, research, and teaching of medicine pursuant to their assigned duties. The Company also includes support staff who are direct employees of the Company. The Company is administered by the Dean, College of Medicine-Jacksonville.

As an approved faculty practice plan under Florida Board of Governors' Regulation 9.017, all COM faculty practice fees are maintained in accounts by the Company. Accordingly, all cash, patient receivables, reserve for uncollectible accounts, net patient service revenue, receipts from provision of administrative services, and transfers to COM are recognized and recorded by the Company. The Company transfers funds to the COM for use in funding salary supplements and other related costs for the benefit of the faculty of the COM. These amounts are reflected as transfers on the statements of revenue, expenses, and changes in net position. The COM may, from time to time, be contractually obligated to provide for physician bonus compensation. The Company may be requested to transfer funds to satisfy the COM's bonus obligations. The Company accounts for such transfers as these transfers are required. As of June 30, 2025, the Company supports the University's operation of clinics in Duval County, Florida, and surrounding counties, and South Georgia in furtherance of its purposes as an approved health services support organization to the University under Florida Board of Governors' Regulation 9.011.

Blended Component Unit: UF Health ACO Jacksonville, LLC (the ACO) is included as a blended component unit. The Company became the sole member of the ACO during 2024. The ACO was formed to function and operate as an accountable care organization as envisioned by the Patient Protection and Affordable Care Act including, without limitation, via participation in the Centers for Medicare and Medicaid Services Shared Savings Program. The governing body of the ACO consists of key Board members and senior management of the Company.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Company'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 Company reports as an entity engaged

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

in only business-type activities. This election requires the adoption of the accrual basis of accounting.

Basis of Accounting: The Company'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 Company follows GASB standards of accounting and financial reporting.

Cash and Cash Equivalents: The Company considers all highly liquid investments, including cash and interest-bearing deposits with an original maturity of 90 days or less when purchased, as cash equivalents for purposes of reporting cash flows.

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

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

Capital Assets: The Company's capital assets are reported at historical cost with the exception of right-of-use assets, which are recorded equal to the associated liability plus any initial direct costs, prepayments, or incentives. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related capital assets or the lesser of the term or estimated useful life for right-of-use assets. The estimated useful lives of the capital assets range

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

from three to forty years. Upon retirement or disposal, the cost of the asset and related accumulated depreciation or amortization is removed from the books, and a gain or loss is recognized in the statements of revenue, expenses, and changes in net position. Maintenance and repair costs are expensed as incurred. The Company periodically reviews capital assets for indicators of potential impairment. If this review indicates that the carrying amount of these assets may not be recoverable, the Company estimates the future cash flows expected to result from the operations of the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, a write-down to estimated fair value is recorded.

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

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

Lease Receivable: The Company'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 Company will receive variable lease payments based on the year, as stated in the terms of the contract. The payments are recorded as inflow of resources in the period the payments are received.

A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is 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.

Accrued Compensated Absences: The COM employees earn paid time off (PTO) days based on established policies. The University assumes the liabilities for accrued compensated absences through the establishment of a Fringe Benefit Pool. The Company transfers funds as required to support the University's Fringe Benefit Pool. The Company's employees earn PTO based on established policy. Liabilities for accrued PTO were \$7,502,860 and \$6,791,399 at June 30, 2025 and 2024, respectively.

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

Net Position: Net position of the Company is classified in components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and amortization, reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets*. The Company had no restricted net position at June 30, 2025 and 2024.

Operating Revenue and Expenses: The Company's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services, the Company's principal activity. Other revenue and contributions received for purposes other than capital asset acquisition are also reported as operating revenue. Nonoperating revenue consists primarily of investment income, positive changes in the fair value of an interest rate swap agreement, and nonoperating gains. Operating expenses are all expenses incurred to support the University physicians in their provision of healthcare services, other than financing costs and nonoperating losses. Nonoperating expenses consist of interest expense, investment loss, loss on disposals of property and equipment, and negative changes in the fair value of an interest rate swap agreement.

Income Taxes: The Company is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements. At June 30, 2025 and 2024, management does not believe the Company holds any uncertain tax positions. Tax returns for the years ended June 30, 2022 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. Estimates associated with contractual allowances, allowances for uncollectible accounts, and with amounts to be received under the Medicaid physician upper payment limit program are particularly susceptible to material change in the near term. Future results could differ from those estimates.

Implementation of Recently Issued Accounting Pronouncements: In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This standard updates the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. The requirements for this Statement are effective for fiscal years beginning after December 15, 2023. The Company implemented this Statement for the fiscal year ended June 30, 2025. This implementation did not result in a financial change to the Company's financial statements.

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

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

Net patient service revenue is derived principally from professional fees charged to patients treated by the faculty of the COM, and indirect patient service revenue is based on negotiated contracts with sponsoring organizations to receive professional services for their members. A reconciliation of the amounts of services provided to patients at established rates to net patient service revenue, as presented in the statements of revenue, expenses, and changes in net position, is as follows:

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
Gross direct patient service charges	\$ 909,651,135	\$ 790,143,950
Indirect patient service revenue	25,086,449	24,351,278
	934,737,584	814,495,228
Less: Estimated contractual adjustments	(525,061,805)	(433,501,137)
Estimated uncollectible accounts	(49,991,133)	(44,687,368)
	(575,052,938)	(478,188,505)
Net patient service revenue	\$ 359,684,646	\$ 336,306,723

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

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
Third party payers	\$ 356,668,865	\$ 333,250,666
Patients responsibility, including self insured	53,006,914	47,743,425
	\$ 409,675,779	\$ 380,994,091

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Company analyzes its history for each of its major payer classes to estimate the appropriate allowance and provision for bad debts. Management regularly reviews data about each major payer class in evaluating the sufficiency of the allowance for uncollectible accounts.

A summary of the payment arrangements with major third-party payers follows:

Medicare: All COM faculty physicians are participating in the Medicare program. Medicare pays 80% of the allowed charge, with the patient being responsible for a 20% co-payment and an annual deductible. A contractual adjustment is recorded for the difference between the physician's charge and the Medicare allowable charge.

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

Medicaid: Services furnished by the COM faculty physicians to Medicaid patients are reimbursed under a state fee schedule.

Medicaid Physician Upper Payment Limit (UPL) Program: Physicians employed by or under contract with a Florida medical school are eligible to receive supplemental reimbursement under the Medicaid UPL Program. Net patient service revenue for the years ended June 30, 2025 and 2024, includes \$35,300,012 and \$41,274,586, respectively, related to the Medicaid UPL Program. Other receivables at June 30, 2025 and 2024, include \$36,658,319 and \$43,568,782, respectively, in expected future payments under the Medicaid UPL Program. The future of the Medicaid UPL Program is uncertain. If this program were discontinued or modified, the impact on the Company could be significant.

Low Income Pool (LIP): UFJP receives funding under the LIP program, which is a federal matching program that provides federal funds to Florida health care providers to cover costs for the state's most vulnerable patients. Medical school physician practices are eligible under this program. Net patient service revenue for the years ended June 30, 2025 and 2024, includes \$16,000,000 and \$14,719,633, respectively, related to this program.

Funding for the UPL and LIP programs comes from intergovernmental transfers (IGT) and federal matching funds. IGTs are transfers of funds to the Agency for Health Care Administration from governmental entities. IGT funds are then used to draw down federal matching funds, and payments are made to eligible providers. Providers are encouraged to contribute funds to ensure maximum payments from the LIP program.

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

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

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

	2025	2024
Patient accounts receivable based on established charges	\$ 91,105,808	\$ 75,435,611
Estimated reserve for contractual allowances and uncollectible accounts	(64,925,415)	(55,224,785)
Patient accounts receivable, net	\$ 26,180,393	\$ 20,210,826

Net patient accounts receivable consist of the following:

	2025	2024
Insurance carriers under commercial plans	\$ 6,756,066	\$ 5,905,061
Managed care plans	8,517,674	5,306,483
Medicare	3,913,037	3,187,740
Medicaid	1,666,973	1,716,522
Patients, including self insured	3,560,615	3,220,003
Other	1,766,028	875,017
	\$ 26,180,393	\$ 20,210,826

The activity relating to the estimated allowance for contractual adjustments and uncollectible accounts for the years ended June 30, 2025 and 2024, is summarized as follows:

	2025	2024
Beginning balance	\$ 55,224,785	\$ 51,868,573
Provision for bad debts	49,991,133	44,687,368
Charge-offs	(40,290,503)	(41,331,156)
Ending balance	\$ 64,925,415	\$ 55,224,785

The Company's estimated allowance for contractual adjustments and uncollectible accounts increased from the prior year due to increased provision during the year ended June 30, 2025.

NOTE D--BOARD DESIGNATED FUNDS

Program Support Accounts and Dean's Fund: The Program Support Accounts and Dean's Fund, as reflected in the statements of revenue, expenses, and changes in net position, were designated through the Company bylaws to account for expenditures of grant revenue and other internally allocated funds. Program Support Accounts are internally designated for the furtherance of departmental programs and the attendance of professional meetings. Research grants are maintained at the University of Florida, Gainesville Campus. Grant funds and distributions to the COM-Jacksonville from these grants maintained in Gainesville are used to defray salaries and benefits and expenses associated with grant

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

activity. Amounts designated for the Dean's Fund are used as determined by the Dean, College of Medicine-Jacksonville to develop new programs and to strengthen existing medical, scientific and educational programs, and for any other administrative or operational costs in furtherance of the purposes of the COM. The Dean's Fund receives certain amounts annually from operations as determined through the Company's budget process.

NOTE E--RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions:

Faculty Clinic, Inc.: The University and Shands Jacksonville Medical Center, Inc. (UF Health Jacksonville) originally established Faculty Clinic, Inc. (Faculty Clinic), a tax-exempt corporation, to promote and further medical education and research for the COM and lease defined practice areas to UF Health Jacksonville and the Company. Faculty Clinic is governed by a Board of Directors in which the University has equal representation with UF Health Jacksonville. Effective January 1, 1995, Faculty Clinic was restructured to operate primarily as a facilities management company that leases defined practice areas and equipment to UF Health Jacksonville and the Company.

The Company also leases office space from Faculty Clinic for its administrative staff. The Company will vacate the office space upon request from the Faculty Clinic. Lease payments for the years ended June 30, 2025 and 2024, were \$648,315. These amounts are allocated between lease liability reductions and interest expense in the financial statements. The Company leases staff to the Faculty Clinic and is reimbursed the full cost of those staff.

The Company charges Faculty Clinic a management fee for accounting and administrative services rendered. The Company charged Faculty Clinic a management fee of \$32,004 for the years ended June 30, 2025 and 2024. This amount is included in management and other fees in the accompanying statements of revenue, expenses, and changes in net position.

The Company had a receivable from Faculty Clinic of \$78,827 and \$12,587 at June 30, 2025 and 2024, respectively.

UF Health Jacksonville: The University and the Company have entered into numerous annual agreements with UF Health Jacksonville. At June 30, 2025 and 2024, the Company had a receivable from UF Health Jacksonville of \$13,030,088 and \$11,452,855, respectively, and a payable to UF Health Jacksonville of \$61,652 and \$116,449, respectively. The Company funds non-physician salaries for employees of UF Health Jacksonville who provide support for COM faculty physicians. The amount paid to UF Health Jacksonville for such non-physician salaries was \$10,164,753 and \$9,792,403 in 2025 and 2024, respectively. UF Health Jacksonville funds various support services for the University, including the medical directorships, trauma program, administrative support, and new program development in urology, orthopedics, and other areas.

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

Total contributions from UF Health Jacksonville for the years ended June 30, 2025 and 2024, were \$67,824,196 and \$50,559,071, respectively. Such amounts are included in Contributions from Shands Jacksonville Medical Center, Inc. in the accompanying statements of revenue, expenses, and changes in net position.

Because there is a teaching program for the COM on the Jacksonville campus, the Company receives various levels of funding from UF Health Jacksonville for four UF Health Jacksonville primary care clinics, which are operated by the Company. The Company is required to contribute funds to UF Health Jacksonville when these clinics generate profits. For the years ended June 30, 2025 and 2024, the Company received \$106,785 and \$27,008, respectively, from UF Health Jacksonville related to the operation of the clinics. Such amounts are included in Contributions from Shands Jacksonville Medical Center, Inc. in the accompanying statements of revenue, expenses, and changes in net position.

The Company pays for space leased by the University from UF Health Jacksonville under various leases (see Note H). Lease payments under these leases were \$1,989,604 and \$1,922,325 in 2025 and 2024, respectively.

Shands at the University of Florida, Inc. (Shands at UF): The Company and Shands at UF have a revenue cycle and electronic medical records system. Shands at UF incurs costs associated with the maintenance of this system that the Company and Shands at UF have determined should be allocated to the Company. As of June 30, 2025 and 2024, the Company owed Shands at UF \$1,085,099 and \$163,193, respectively, related to these costs.

University of Florida Employed Physicians: The Company leases space from several physicians and companies owned by physicians who are employed by the University. Lease payments made to these physicians in 2025 and 2024 were \$95,142 and \$93,656, respectively, and are included in other operating expenses in the accompanying statements of revenue, expenses, and changes in net position.

UF Health St. Johns: The University and the Company have entered into a number of annual contract agreements with UF Health St. Johns, primarily for neonatology, neurology, and neurosurgery services. At June 30, 2025 and 2024, the Company had a receivable from UF Health St. Johns of \$309,633 and \$82,033, respectively. These amounts are included in other receivables in the accompanying statements of net position. Total revenues from these agreements for the years ended June 30, 2025 and 2024, were \$1,113,100 and \$1,014,400, respectively. Such amounts are included in other revenue in the accompanying statements of revenue, expenses, and changes in net position.

The company also leases space from UF Health St. Johns for a neurology practice. Lease payments were \$58,056 and \$56,361 in 2025 and 2024, respectively.

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

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

The Self-Insurance Program protects the COM from losses, which are subject to Section 768.28, Florida Statutes, including legislative claim bills that, in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1,000,000 per claim.

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

In the event the personal immunity of COM faculty physicians or other professional employees are not subject to the personal immunity described in Section 768.28, Florida Statutes (e.g., on assignment outside the State of Florida), the Self-Insurance Program provides the faculty physicians and other professional employees with personal liability protection, including professional liability, in the amount of \$2,000,000 per claim and with excess coverage of \$103,000,000 per claim.

Self-Insurance Program contribution costs charged against operations for the years ended June 30, 2025 and 2024, were \$972,377 and \$993,912, respectively. Premiums paid to HEIC for the years ended June 30, 2025 and 2024, were \$567,468 and \$515,332, respectively. No amounts were due to the Self-Insurance Program or the HEIC at June 30, 2025 and 2024.

Charity Care Settlement: The City of Jacksonville (the City) and UF Health Jacksonville have entered into a contract (the City Contract) in which UF Health Jacksonville agrees to provide medical services for the members of the City's indigent population. The City Contract is administered by UF Health Jacksonville, which reimburses the Company based on a contracted rate.

NOTE F--CAPITAL ASSETS

Capital asset activity, excluding right-of-use assets, is as follows:

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

	<i>Balance at July 1, 2024</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2025</i>
Property and equipment:					
Land	\$ 3,748,493	\$ -	\$ -	\$ -	\$ 3,748,493
Building	31,482,135	-	-	-	31,482,135
Equipment	48,259,332	2,394,590	(3,204)	504,959	51,155,677
Computer software	16,320,923	102,593	-	-	16,423,516
Leasehold improvements	19,528,088	523,552	-	548,145	20,599,785
Construction in progress	509,974	1,833,083	-	(1,053,104)	1,289,953
Total property and equipment	119,848,945	4,853,818	(3,204)	-	124,699,559
Accumulated depreciation:					
Building	5,674,123	1,021,998	-	-	6,696,121
Equipment	35,079,336	4,693,949	(3,204)	-	39,770,081
Computer software	15,750,594	231,770	-	-	15,982,364
Leasehold improvements	13,024,536	818,292	-	-	13,842,828
Total accumulated depreciation	69,528,589	6,766,009	(3,204)	-	76,291,394
Property and equipment, net	\$50,320,356	\$ (1,912,191)	\$ -	\$ -	\$ 48,408,165

	<i>Balance at July 1, 2023</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2024</i>
Property and equipment:					
Land	\$ 3,748,493	\$ -	\$ -	\$ -	\$ 3,748,493
Building	31,507,281	-	-	(25,146)	31,482,135
Equipment	39,136,005	3,335,150	(120,016)	5,908,193	48,259,332
Computer software	15,873,445	68,689	(1,173)	379,962	16,320,923
Leasehold improvements	18,700,594	417,047	(238,595)	649,042	19,528,088
Construction in progress	6,155,290	1,291,881	-	(6,937,197)	509,974
Total property and equipment	115,121,108	5,112,767	(359,784)	(25,146)	119,848,945
Accumulated depreciation:					
Building	4,636,315	1,037,808	-	-	5,674,123
Equipment	30,203,035	4,996,317	(120,016)	-	35,079,336
Computer software	15,593,938	157,829	(1,173)	-	15,750,594
Leasehold improvements	12,409,338	853,793	(238,595)	-	13,024,536
Total accumulated depreciation	62,842,626	7,045,747	(359,784)	-	69,528,589
Property and equipment, net	\$52,278,482	\$ (1,932,980)	\$ -	\$ (25,146)	\$ 50,320,356

Estimated costs to complete construction in progress at June 30, 2025, were approximately \$652,000 and relate to implementation of new medical technology and facility renovations.

Right-of-use lease assets activity is as follows:

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

	<i>Balance at July 1, 2024</i>	<i>Additions</i>	<i>Retirements</i>	<i>Modifications & Remeasurements</i>	<i>Transfers</i>	<i>Balance at June 30, 2025</i>
Right-of-use lease assets:						
Equipment	\$ 915,109	\$ 111,962	\$ (84,618)	\$ -	\$ -	\$ 942,453
Building	57,410,358	1,278,089	(3,267,007)	(1,520,513)	-	53,900,927
Total right-of-use lease assets	58,325,467	1,390,051	(3,351,625)	(1,520,513)	-	54,843,380
Accumulated amortization:						
Equipment	381,961	210,505	(84,618)	-	-	507,848
Building	18,902,399	6,477,176	(3,267,007)	-	-	22,112,568
Total accumulated amortization	19,284,360	6,687,681	(3,351,625)	-	-	22,620,416
Total right-of-use lease assets, net	\$ 39,041,107	\$ (5,297,630)	\$ -	\$ (1,520,513)	\$ -	\$ 32,222,964

	<i>Balance at July 1, 2023</i>	<i>Additions</i>	<i>Retirements</i>	<i>Modifications & Remeasurements</i>	<i>Transfers</i>	<i>Balance at June 30, 2024</i>
Right-of-use lease assets:						
Equipment	\$ 521,991	\$ 489,926	\$ (96,808)	\$ -	\$ -	\$ 915,109
Building	61,440,613	41,863	(4,784,103)	711,985	-	57,410,358
Total right-of-use lease assets	61,962,604	531,789	(4,880,911)	711,985	-	58,325,467
Accumulated amortization:						
Equipment	285,676	193,093	(96,808)	-	-	381,961
Building	16,238,413	7,448,089	(4,784,103)	-	-	18,902,399
Total accumulated amortization	16,524,089	7,641,182	(4,880,911)	-	-	19,284,360
Total right-of-use lease assets, net	\$ 45,438,515	\$ (7,109,393)	\$ -	\$ 711,985	\$ -	\$ 39,041,107

The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the asset into service. The right-of-use assets are amortized on a straight-line basis over the life of the related lease. Further discussion regarding the related lease liabilities can be found in Note H.

A summary of right-of-use subscription assets and schedule of activity 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>
Right-of-use subscription assets:					
Subscription assets	\$ 323,754	\$ 76,760	\$ -	\$ -	\$ 400,514
Total right-of-use subscription assets	323,754	76,760	-	-	400,514
Accumulated amortization:					
Subscription assets	171,005	113,096	-	-	284,101
Total accumulated amortization	171,005	113,096	-	-	284,101
Total right-of-use subscription assets, net	\$ 152,749	\$ (36,336)	\$ -	\$ -	\$ 116,413

	<i>Balance at July 1, 2023</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2024</i>
Right-of-use subscription assets:					
Subscription assets	\$ 336,027	\$ -	\$ (12,273)	\$ -	\$ 323,754
Total right-of-use subscription assets	336,027	-	(12,273)	-	323,754
Accumulated amortization:					
Subscription assets	65,804	105,201	-	-	171,005
Total accumulated amortization	65,804	105,201	-	-	171,005
Total right-of-use subscription assets, net	\$ 270,223	\$ (105,201)	\$ (12,273)	\$ -	\$ 152,749

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Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

The right-of-use subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any payments made prior to the agreement term, less any incentives, plus any implementation costs that can be capitalized. The right-of-use subscription assets are amortized on a straight-line basis over the life of the related agreement. Further discussion regarding the related subscription liabilities can be found in Note H.

NOTE G--LONG-TERM DEBT

Activity in long-term debt for the years ended June 30, 2025 and 2024, is as follows:

	<i>Balance at July 1, 2024</i>	<i>Issuances</i>	<i>Retirements</i>	<i>Balance at June 30, 2025</i>	<i>Amounts Due Within One Year</i>
Notes from direct borrowings:					
Healthcare Facilities Revenue					
Note, Series 2019B	\$ 24,345,000	\$ -	\$ (1,000,000)	\$ 23,345,000	\$ 1,000,000
Total Long-Term Debt	\$ 24,345,000	\$ -	\$ (1,000,000)	\$ 23,345,000	\$ 1,000,000

	<i>Balance at July 1, 2023</i>	<i>Issuances</i>	<i>Retirements</i>	<i>Balance at June 30, 2024</i>	<i>Amounts Due Within One Year</i>
Notes from direct borrowings:					
Healthcare Facilities Revenue					
Note, Series 2019B	\$ 26,345,000	\$ -	\$ (2,000,000)	\$ 24,345,000	\$ 1,000,000
Total Long-Term Debt	\$ 26,345,000	\$ -	\$ (2,000,000)	\$ 24,345,000	\$ 1,000,000

In 2019, the Issuer issued its Healthcare Facilities Revenue Note, Series 2019B, in a principal amount not to exceed \$26,345,000 (the Series 2019B Note) which was purchased by a financial institution (the Noteholder) as advances were made under the Series 2019B Note and loaned to the Company to finance approved project costs and pay the issuance costs of the Series 2019B Note. The Company is responsible for making payments directly to the Noteholder on the Series 2019B Note. The Series 2019B Note requires a monthly interest payment based on a variable rate of 81% of the Adjusted one-month LIBOR Rate. During May 2023, this agreement was amended and restated to replace the variable rate referenced from LIBOR-BBA to SOFR-CME plus 11 basis points. All other terms and conditions remain substantially unchanged. The variable rate was 4.23% and 5.05% for the Series 2019B Note at June 30, 2025 and 2024, respectively. The Series 2019B Note matures April 1, 2044, with annual principal payments beginning June 1, 2023. The Series 2019B Note contains a mandatory tender where the Company agrees to purchase the Series 2019B Note on the Noteholder put date of April 17, 2034, or April 17, 2039, for an amount equal to 100% of the outstanding principal unless notified 120 days in advance by the Noteholder.

The Company has a revolving line of credit with a bank in the amount of \$10,000,000. The line of credit was renewed during 2025 and now has an expiration date of February 1, 2028. There were

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

no amounts outstanding on this line of credit as of June 30, 2025 and 2024.

There are restrictive covenants contained in the agreement related to the Series 2019B Note. Among other things, the Company is restricted as to additional borrowings or liens on property, mergers and acquisitions, and sale of assets. In addition, the Company is required to maintain a debt service coverage ratio of 1.0 and a liquidity ratio no less than 0.15. The Company was in compliance with these restrictive financial covenants at June 30, 2025 and 2024. The Series 2019B Note is secured by security agreements between the Company and the Noteholder, which grant the Noteholder an interest in all assets, properties, and rights of the Company with certain exceptions.

The estimated future debt service requirements of the Series 2019B Note, based on the interest rate in effect at June 30, 2025, and the principal balance outstanding at the date, are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2026	\$ 1,000,000	\$ 986,842	\$ 1,986,842
2027	1,100,000	944,570	2,044,570
2028	1,100,000	898,071	1,998,071
2029	1,100,000	851,571	1,951,571
2030	1,100,000	805,072	1,905,072
2031-2035	6,100,000	3,285,599	9,385,599
2036-2040	6,500,000	1,954,028	8,454,028
2041-2044	5,345,000	571,942	5,916,942
	<u>\$ 23,345,000</u>	<u>\$ 10,297,695</u>	<u>\$ 33,642,695</u>

NOTE H--LEASE AND SUBSCRIPTION LIABILITIES

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

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

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

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

	<i>Balance at July 1, 2024</i>	<i>Additions</i>	<i>Reductions</i>	<i>Terminations</i>	<i>Modifications & Remeasurements</i>	<i>Balance at June 30, 2025</i>	<i>Amount Due Within One Year</i>
Lease equipment	\$ 544,124	\$ 100,824	\$ 210,188	\$ -	\$ -	\$ 434,760	\$ 176,932
Lease buildings	40,797,930	1,225,154	5,969,469	-	(1,379,680)	\$ 34,673,935	6,016,758
Total lease liabilities	\$ 41,342,054	\$ 1,325,978	\$ 6,179,657	\$ -	\$ (1,379,680)	\$ 35,108,695	\$ 6,193,690

	<i>Balance at July 1, 2023</i>	<i>Additions</i>	<i>Reductions</i>	<i>Terminations</i>	<i>Modifications & Remeasurements</i>	<i>Balance at June 30, 2024</i>	<i>Amount Due Within One Year</i>
Lease equipment	\$ 242,557	\$ 489,926	\$ 188,359	\$ -	\$ -	\$ 544,124	\$ 196,692
Lease buildings	47,012,321	41,863	6,955,966	-	699,712	\$ 40,797,930	5,568,582
Total lease liabilities	\$ 47,254,878	\$ 531,789	\$ 7,144,325	\$ -	\$ 699,712	\$ 41,342,054	\$ 5,765,274

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

<i>Year Ending June 30,</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total</i>
2026	\$ 6,193,690	\$ 935,728	\$ 7,129,418
2027	6,096,138	758,034	6,854,172
2028	5,545,422	582,802	6,128,224
2029	3,756,918	450,155	4,207,073
2030	3,514,072	344,994	3,859,066
2031-2035	9,357,704	665,981	10,023,685
2036-2040	254,188	75,812	330,000
2041-2045	293,800	36,200	330,000
2046-2047	96,763	2,237	99,000
	<u>\$ 35,108,695</u>	<u>\$ 3,851,943</u>	<u>\$ 38,960,638</u>

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

There are no variable payment components for any agreement. Each subscription liability addition during 2023 was measured at a 2.90% discount rate. There were no subscription liability additions during 2024 and 2025. The associated right-of-use subscription asset is discussed in more detail in Note F.

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

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Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

<i>Year Ending June 30,</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total</i>
2026	49,452	389	49,841
	\$ 49,452	\$ 389	\$ 49,841

NOTE I--LEASE RECEIVABLE

The UFJP has entered into agreements with various parties to provide land and buildings. Non-cancelable lease terms range from 3 years to 6 years. Monthly minimum lease payments range from \$4,731 to \$5,925. 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, UFJP recognized \$152,739 and \$135,371 of lease revenue with \$17,025 and \$16,387 of interest revenue, respectively.

NOTE J--INTEREST RATE SWAP AGREEMENT

With respect to the Series 2019B Note, the Company executed a swap agreement with an effective date of February 3, 2020, where the Company receives a variable rate equal to 81% of the one-month LIBOR-BBA rate and pays a fixed rate of 2.266%, on the notional amount of \$23,345,000 and \$24,345,000 at June 30, 2025 and 2024, respectively. The Company also paid a loan spread fee of 81% of 79 basis points, on the notional amount outstanding at the effective date of February 3, 2020. This agreement terminates April 1, 2034, unless terminated at an earlier date. During May 2023, this agreement was amended and restated to replace the variable rate referenced from LIBOR-BBA to SOFR-CME plus 11 basis points. All other terms and conditions remain substantially unchanged.

Although the swap instrument is intended to manage exposure to interest rate risks associated with the debt instruments referred to above, the swap agreement has not been determined to be an effective hedge. Accordingly, the interest rate swap is reflected in the accompanying statements of net position at its aggregate fair value (an asset of \$1,041,777 and \$1,640,991 at June 30, 2025 and 2024, respectively) and the change in the value of the swap is reflected as a component of nonoperating revenue in the statements of revenue, expenses, and changes in net position for the years ended June 30, 2025 and 2024. Management has considered the effects of any credit value adjustment, and while management believes the estimated fair value of the interest rate swap agreement is reasonable, the estimate is subject to change in the near term.

NOTE K--EMPLOYEE BENEFIT PLANS

University physicians are participants in a defined contribution plan through the COM. Contributions to the Plan are included in Transfers to the University of Florida, College of Medicine in the statements of revenue, expenses, and changes in net position for the year ended

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

June 30, 2025, as the Company's contributions to the Plan are encompassed under the Company's required funding of the University's Fringe Benefit Pool.

In addition, several UF physicians are participants in a defined benefit plan through the State of Florida's Optional Retirement Plan. For the years ended June 30, 2025 and 2024, the Company's contributions to the Plan are encompassed under the Company's required funding of the University's Fringe Benefit Pool.

The Company participates in a contributory defined contribution retirement plan administered by the Board of Directors of the Company. Employees are eligible to receive employer contributions after one year of service. The Company contributes an amount equal to 3% of salary to the plan account of each employee's choice. For employee contributions over 3%, the Company may match up to the maximum of 6% of the employee's contributed salary. The Company's matching contribution from 4% to 6% was suspended in 2009 and remains suspended as of June 30, 2025. Full vesting of the Company contributions occurs after five years of service. Retirement plan expense for the Company for this retirement plan was \$1,819,554 and \$1,679,080 for the years ended June 30, 2025 and 2024, respectively.

NOTE L--COMMITMENTS AND CONTINGENCIES

Professional Liability: The Company 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 accident claims; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

Although the Company does not provide medical care, the Company maintains professional liability protection on an occurrence basis from the University of Florida J. Hillis Miller Health Science Center Self-Insurance Program (Note E). Professional liability protection is obtained by the Company primarily to provide the defense costs necessarily incurred to respond to, and defend any, unsupported allegations and litigation filed against the Company.

Employee Health Insurance: The Company is required to participate in employee health plans offered by the University of Florida.

Legal Matters: The Company is party to various legal proceedings arising from normal business activities. In the opinion of management, the ultimate outcome of those proceedings will not have a material adverse impact on the financial position or results of operations of the Company. However, the ultimate resolution of these proceedings may result in losses different from the amounts anticipated.

Credit Risk: Certain other financial instruments, primarily cash, potentially subject the Company to concentrations of credit risk. The Company maintains its cash with what it believes to be high-

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

quality financial institutions and thus limits its credit exposure. At times, the cash maintained in these institutions exceeds federally insured limits.

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

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

NOTE M--CHARITY CARE

The University has a policy of providing care to charity patients designated by the City of Jacksonville. Effective July 1, 1997, the Company began recording actual services rendered by the University to charity patients. Charges foregone related to these services for 2025 are likely to be understated due to the lengthy lag time in the patient qualification process. These services, which are excluded from net patient service revenue, were approximately \$18,603,000 and \$18,565,000 in 2025 and 2024, respectively, at the Company's established rates. Charges foregone related to other charity patients was approximately \$21,451,000 and \$23,423,000 in 2025 and 2024, respectively. The estimated direct and indirect cost of providing these services totaled approximately \$18,766,000 and \$20,109,000 in 2025 and 2024, respectively.

Such costs are determined using a ratio of cost to charges analysis, with indirect cost allocated under a reasonable and systematic approach.

NOTE N--FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying value of its financial instruments, including cash and cash equivalents, patient accounts and other receivables, accounts payable and accrued expenses,

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Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

accrued compensation and benefits, and amounts due to or from other organizations, are at fair value, or approximate fair value, due to the nature and short-term maturities of these instruments. Management also estimates that the carrying value of its long-term debt approximates fair value due to the variable interest rate associated with that debt.

NOTE O--BLENDED COMPONENT UNIT

Condensed financial information of the UFJP's blended component unit as of and for the years ended June 30, 2025 and 2024, are as follows:

		UF Health ACO Jacksonville, LLC	
		2025	2024
Assets			
Current assets		\$ 1,258,685	\$ 598,146
	TOTAL ASSETS	\$ 1,258,685	\$ 598,146
Liabilities			
Current liabilities		\$ 1,258,266	\$ 603,444
	TOTAL LIABILITIES	1,258,266	603,444
Net position			
Unrestricted		419	(5,298)
	TOTAL NET POSITION	419	(5,298)
	TOTAL LIABILITIES AND NET POSITION	\$ 1,258,685	\$ 598,146
Operating revenue		\$ 780,538	\$ -
	TOTAL OPERATING REVENUE	780,538	-
Operating expenses		774,821	5,298
	INCOME (LOSS) FROM OPERATIONS	5,717	(5,298)
	INCREASE (DECREASE) IN NET POSITION	5,717	(5,298)
	NET POSITION, BEGINNING OF YEAR	(5,298)	-
	NET POSITION, END OF YEAR	\$ 419	\$ (5,298)

NOTE P--FAIR VALUE MEASUREMENT

GASB Statement No. 72 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

assumptions that market participants would use in pricing the asset or liability. As such, GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB describes fair value as an exit price where measurement assumes a transaction takes place in an entity's principal market, or most advantageous market in the absence of a principal market, and the market participants are acting in their economic best interests. GASB Statement No. 72 requires an entity to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques should be applied consistently and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

- *Level 1:* Inputs to the valuation technique are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation technique, other than quoted prices within *Level 1*, that are observable for an asset or liability, either directly or indirectly.
- *Level 3:* Inputs to the valuation technique are unobservable.

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

At June 30, 2025 and 2024, the Company had no liabilities meeting the criteria for disclosure.

The following table presents assets reported at fair value as of June 30, 2025 and 2024, and their respective classification under the GASB Statement No. 72 valuation hierarchy:

Assets Measured at Fair Value on a Recurring Basis as of June 30, 2025:

		<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
	<i>Carrying Value</i>			
Assets:				
Interest rate swap agreement	\$ 1,041,777	\$ -	\$ -	\$ 1,041,777

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

Assets Measured at Fair Value on a Recurring Basis as of June 30, 2024:

		<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
	<i>Carrying Value</i>			
Assets:				
Interest rate swap agreement	\$ 1,640,991	\$ -	\$ -	\$ 1,640,991

A certain portion of the inputs used to value the Company's interest rate swap agreements are unobservable inputs. As a result, the Company has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy.

NOTE Q--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

UNIVERSITY OF FLORIDA JACKSONVILLE PHYSICIANS, INC.

***Statements of Revenue, Expenditures, and Changes in Net Position of the Miscellaneous
Gifts and Grants Fund - Unaudited***

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
REVENUE	\$ -	\$ -
EXPENDITURES:		
Salaries and benefits	201,689,595	189,858,990
Other operating expenses	2,358,278	1,952,076
Total expenditures	204,047,873	191,811,066
EXPENDITURES IN EXCESS OF REVENUE BEFORE TRANSFERS	(204,047,873)	(191,811,066)
TRANSFERS:		
From University of Florida Jacksonville Physicians, Inc.	207,981,914	188,476,308
EXCESS (DEFICIT) OF REVENUE AND TRANSFERS OVER EXPENDITURES	3,934,041	(3,334,758)
NET DEFICIENCY, BEGINNING OF YEAR	(14,402,246)	(11,067,488)
NET DEFICIENCY, END OF YEAR	\$ (10,468,205)	\$ (14,402,246)

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
University of Florida Jacksonville Physicians, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the University of Florida Jacksonville Physicians, Inc. (the Company) (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 Company's basic financial statements, and have issued our report thereon dated September 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company'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 Company'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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PYA, P.C.

Tampa, Florida
September 23, 2025