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# Financial Statements (and Other Information)

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

*Years Ended June 30, 2024 and 2023*

**FACULTY CLINIC, INC.**

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***Years Ended June 30, 2024 and 2023***

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the financial statements of the business-type activities of Faculty Clinic, Inc. (the Clinic) (a component unit of the University of Florida) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Clinic as of June 30, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

The Clinic's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clinic's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Clinic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinic's internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida  
September 26, 2024

## **Management's Discussion and Analysis**

## FACULTY CLINIC, INC.

### *Management's Discussion and Analysis*

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This discussion and analysis of the Faculty Clinic, Inc.'s (the Clinic) financial statements is intended to provide an overview of its financial results for the year ended June 30, 2024. This section, along with the financial statements and related footnotes, has been prepared by, and is the responsibility of, management. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

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

#### OVERVIEW

The Clinic's net position increased by \$106,925 for fiscal year 2024 as compared to an increase of \$126,305 in the prior fiscal year. The structure of the Clinic is such that its purpose is to maintain the building and equipment and collect sufficient rent to cover operating expenses. Previously there was a need to fund the debt service on the bonds outstanding from the Series 1989 bond issue. As the bond issue was paid in full and retired as of July 1, 2019, there is no longer a need to fund the debt service.

Total assets are \$9,448,428 at June 30, 2024, a decrease of \$980,661 or 9.4% from June 30, 2023. Current assets increased by \$184,777 during the fiscal year, net capital assets decreased by \$159,600 while the long-term lease receivables decreased by \$1,005,838. Current liabilities decreased by \$41,335 while the liability related to the deferred inflow of resources decreased by \$1,046,251 for an overall reduction of total liabilities of \$1,087,586 or 13.6%. These changes will be explained in detail later in this discussion.

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

#### FINANCIAL ANALYSIS

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

**FACULTY CLINIC, INC.**

***Management's Discussion and Analysis - Continued***

**CONDENSED STATEMENTS OF NET POSITION**

|   | <i>June 30,</i>     |                      | <i>Increase</i>     | <i>Percent</i> |
|---|---------------------|----------------------|---------------------|----------------|
|   | <i>2024</i>         | <i>2023</i>          | <i>(Decrease)</i>   | <i>Change</i>  |
| <b>ASSETS</b>                             |                     |                      |                     |                |
| <b>CURRENT ASSETS:</b>                    |                     |                      |                     |                |
| Cash and cash equivalents                 | \$ 1,375,385        | \$ 1,273,783         | \$ 101,602          | 8.0%           |
| Current portion of lease receivables      | 1,003,482           | 974,832              | 28,650              | 2.9%           |
| Prepaid expenses and other current assets | 14,105              | 3,966                | 10,139              | 255.6%         |
| Due from related parties                  | 88,772              | 44,386               | 44,386              | 100.0%         |
| TOTAL CURRENT ASSETS                      | 2,481,744           | 2,296,967            | 184,777             | 8.0%           |
| <b>OTHER ASSETS:</b>                      |                     |                      |                     |                |
| Lease receivables - less current portion  | 6,087,237           | 7,093,075            | (1,005,838)         | -14.2%         |
| TOTAL LONG TERM ASSETS                    | 6,087,237           | 7,093,075            | (1,005,838)         | -14.2%         |
|   | 8,568,981           | 9,390,042            | (821,061)           | -8.7%          |
| <b>CAPITAL ASSETS, NET</b>                | 879,447             | 1,039,047            | (159,600)           | -15.4%         |
| <b>TOTAL ASSETS</b>                       | <b>\$ 9,448,428</b> | <b>\$ 10,429,089</b> | <b>\$ (980,661)</b> | <b>-9.4%</b>   |

Total assets as of June 30, 2024, were \$9,448,428 with current assets at \$2,481,744. Cash and cash equivalents of \$1,375,385 is the largest component of current assets. The cash balance increased in fiscal year 2024 from the balance of \$1,273,783 at the end of fiscal year 2023 and this will be explained in the discussion on the statements of cash flows later in this section. The current portion of the lease receivables is \$1,003,482. This account balance is related to GASB Statement No. 87 and represents the present value of amounts owed by UFJP and Shands Jacksonville as lease payments during fiscal year 2025. Prepaid expenses and other current assets, comprised mainly of prepaid maintenance, is a minimal \$14,105. The Due from related parties is the result of a delay in receiving Shands Jacksonville's May and June lease payments. The long-term asset, lease receivables, decreased by \$1,005,838 to \$6,087,237 as the result of the receipt of the payments from the tenants. Again, this is related to the implementation of GASB Statement No. 87 and represents the present value of amounts owed over the remaining life of the lease, excluding the current portion due in fiscal year 2025. This balance will reduce each year with the receipt of the payments from the tenants. If the leases are renewed and extended, then the balance would be recalculated based on the new terms of the leases.

|                                | <i>June 30,</i>   |                     | <i>Increase</i>     | <i>Percent</i> |
|--------------------------------|-------------------|---------------------|---------------------|----------------|
|                                | <i>2024</i>       | <i>2023</i>         | <i>(Decrease)</i>   | <i>Change</i>  |
| <b>CAPITAL ASSETS, NET</b>     |                   |                     |                     |                |
| Building                       | \$ 865,933        | \$ 1,015,550        | \$ (149,617)        | -14.7%         |
| Equipment                      | 13,514            | 23,497              | (9,983)             | -42.5%         |
| <b>CAPITALIZED ASSETS, NET</b> | <b>\$ 879,447</b> | <b>\$ 1,039,047</b> | <b>\$ (159,600)</b> | <b>-15.4%</b>  |

The Clinic's investment in capital assets, net of depreciation, is \$879,447 at June 30, 2024, a decrease of \$159,600 or 15.4% from the balance at June 30, 2023. No capital assets were purchased during fiscal year 2024. Accumulated depreciation on the building and equipment at the end of



**FACULTY CLINIC, INC.**

***Management's Discussion and Analysis - Continued***

2024 was \$14,184,714, or \$159,600 greater than last year. As of June 30, 2020, the original building construction costs placed in service in 1990 were fully depreciated.

|                                       | <i>June 30,</i>     |                     | <i>Increase</i>       | <i>Percent</i> |
|---------------------------------------|---------------------|---------------------|-----------------------|----------------|
|                                       | <i>2024</i>         | <i>2023</i>         | <i>(Decrease)</i>     | <i>Change</i>  |
| <b>LIABILITIES</b>                    |                     |                     |                       |                |
| <b>CURRENT LIABILITIES:</b>           |                     |                     |                       |                |
| Accounts payable and accrued expenses | \$ 86,997           | \$ 66,283           | \$ 20,714             | 31.3%          |
| Accrued contract labor                | 26,593              | 22,757              | 3,836                 | 16.9%          |
| Due to related parties                | 12,587              | 78,472              | (65,885)              | -84.0%         |
| <b>TOTAL CURRENT LIABILITIES</b>      | <b>126,177</b>      | <b>167,512</b>      | <b>(41,335)</b>       | <b>-24.7%</b>  |
| <b>TOTAL LIABILITIES</b>              | <b>\$ 126,177</b>   | <b>\$ 167,512</b>   | <b>\$ (41,335)</b>    | <b>-24.7%</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                     |                       |                |
| Deferred lease revenue                | \$ 6,800,632        | \$ 7,846,883        | \$ (1,046,251)        | -13.3%         |
| <b>TOTAL DEFERRED</b>                 |                     |                     |                       |                |
| <b>INFLOWS OF RESOURCES</b>           | <b>\$ 6,800,632</b> | <b>\$ 7,846,883</b> | <b>\$ (1,046,251)</b> | <b>-13.3%</b>  |

Current liabilities stood at \$126,177 at June 30, 2024, a decrease of \$41,335 or 24.7% from prior year. Accounts payable and accrued expenses, with a balance of \$86,997 at June 30, 2024, compared to a balance of \$66,283 at June 30, 2023, includes operating expenses which have been incurred but not yet paid and accruals for fees related to fiscal year 2024 which will be billed in coming months. Accrued contract labor consists of accrued paid time off for which the Clinic would be liable to pay. Due to related parties at \$12,587 represents amounts owed from the Clinic to UFJP for items such as management fee, labor expense and other items paid for by UFJP on behalf of the Clinic. This is a significant decrease of \$65,885 from prior year as payments were caught up. See Note D to the financial statements.

Related to GASB Statement No. 87, a deferred lease revenue balance of \$6,800,632 was recorded for fiscal year 2024, down from a balance of \$7,846,883 at June 30, 2023. This represents the present value of future minimum lease payments from UFJP and Shands Jacksonville. This balance will reduce each year with the recording of the lease payments as revenue. If the leases are renewed and extended, then the balance would be recalculated based on the new terms of the leases.

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

|                                       | <i>Year Ended</i> |                  | <i>Increase</i>   | <i>Percent</i> |
|---------------------------------------|-------------------|------------------|-------------------|----------------|
|                                       | <i>June 30,</i>   | <i>2023</i>      | <i>(Decrease)</i> | <i>Change</i>  |
|                                       | <i>2024</i>       | <i>2023</i>      | <i>(Decrease)</i> | <i>Change</i>  |
| <b>REVENUE:</b>                       |                   |                  |                   |                |
| Rental income                         | \$ 1,046,251      | \$ 1,046,251     | -                 | 0.0%           |
| State operating and maintenance (O&M) | 328,935           | 329,498          | (563)             | -0.2%          |
| Lease interest income                 | 218,160           | 246,058          | (27,898)          | -11.3%         |
| <b>TOTAL REVENUE</b>                  | <b>1,593,346</b>  | <b>1,621,807</b> | <b>(28,461)</b>   | <b>-1.8%</b>   |

## FACULTY CLINIC, INC.

### *Management's Discussion and Analysis - Continued*

|                                     | <i>Year Ended</i> |             | <i>Increase<br/>(Decrease)</i> | <i>Percent<br/>Change</i> |
|-------------------------------------|-------------------|-------------|--------------------------------|---------------------------|
|                                     | <i>2024</i>       | <i>2023</i> |                                |                           |
| EXPENSES:                           |                   |             |                                |                           |
| Contract labor                      | 348,281           | 281,378     | 66,903                         | 23.8%                     |
| Depreciation and amortization       | 159,600           | 152,691     | 6,909                          | 4.5%                      |
| Insurance, repairs, and maintenance | 443,403           | 493,799     | (50,396)                       | -10.2%                    |
| Utilities and other                 | 345,442           | 384,660     | (39,218)                       | -10.2%                    |
| Other operating expenses            | 194,244           | 185,386     | 8,858                          | 4.8%                      |
| TOTAL OPERATING EXPENSES            | 1,490,970         | 1,497,914   | (6,944)                        | -0.5%                     |
| INCOME FROM OPERATIONS              | 102,376           | 123,893     | (21,517)                       | -17.4%                    |
| NET NONOPERATING REVENUE            | 4,549             | 2,412       | 2,137                          | 88.6%                     |
| INCREASE IN NET POSITION            | \$ 106,925        | \$ 126,305  | \$ (19,380)                    | -15.3%                    |

*Revenue:* Revenue is generated from lease payments for clinical and office space from UFJP and Shands Jacksonville and also consists of operating and maintenance (O&M) funding granted by the State Legislature for the space occupied by University of Florida functions. Under GASB Statement No. 87 lease payments are separated into the categories of rental income and interest income. Rental income for fiscal year 2024 was \$1,046,251, the same amount as in fiscal year 2023, while interest income was \$218,160, down from \$246,058 in fiscal year 2023. State O&M funding was \$328,935 for fiscal year 2024, a small \$563 decrease from prior year. This funding from the state of Florida flows through the University of Florida.

*Operating Expenses:* Operating expenses totaled \$1,490,970 for fiscal year 2024, a decrease of \$6,944 or just 0.5% from fiscal year 2023. Contract labor, at \$348,281 is the cost of the staff, who are leased from UFJP, to provide housekeeping and maintenance services at the facility. This category had an increase of 23.3%, or \$66,903 from fiscal year 2023. This was the result of the full year's impact of increases given in January 2023 and April 2023 as well as an increase of a 0.75 FTE. Insurance, repairs and maintenance is the largest category of expense at \$443,403 although this represents a decrease of \$50,396 from fiscal year 2023. This category includes a mechanical service agreement; an elevator maintenance service agreement; heating, ventilation, and air conditioning (HVAC) repairs; plumbing repairs; electrical system repairs, etc. The majority of the decrease came from equipment repairs and maintenance which was about \$72,000 less than prior year although this was offset somewhat by a \$19,000 increase in building repairs. Utility and other expense was \$345,442 for fiscal year 2024, with electricity the highest component at \$254,088. The other major components are water, garbage and telephone. In total, utility expense decreased by 10.2% with electricity decreasing 15.5% from fiscal year 2023. Depreciation and amortization increased by \$6,909 or 4.5% over fiscal year 2023 due to a full year of additional depreciation on the fire suppression system added in fiscal year 2023, offset by several items which became fully depreciated at the end of the prior fiscal year. The major component of other operating expenses is fees for items such as audit fees, security, facility and management fees and total \$119,644, a small decrease of 4.8% from prior year. Also included, is supplies which were \$74,600 for the year, with a larger increase of \$14,922 or 25.0% over fiscal year 2023. The majority of supply expense is for housekeeping and janitorial supplies.

## FACULTY CLINIC, INC.

### *Management's Discussion and Analysis - Continued*

*Nonoperating Items:* The only nonoperating item is interest income earned on bank accounts, which for fiscal year 2024 was \$4,549.

#### CONDENSED STATEMENTS OF CASH FLOWS

|                              | <i>Year Ended</i> |              |                   |                |
|------------------------------|-------------------|--------------|-------------------|----------------|
|                              | <i>June 30,</i>   |              | <i>Increase</i>   | <i>Percent</i> |
|                              | <i>2024</i>       | <i>2023</i>  | <i>(Decrease)</i> | <i>Change</i>  |
| NET CASH PROVIDED            |                   |              |                   |                |
| BY OPERATING ACTIVITIES      | \$ 97,053         | \$ 160,288   | \$ (63,235)       | -39.5%         |
| NET CASH USED IN CAPITAL AND |                   |              |                   |                |
| RELATED FINANCING ACTIVITIES | -                 | (336,966)    | 336,966           | -100.0%        |
| NET CASH PROVIDED            |                   |              |                   |                |
| BY INVESTING ACTIVITIES      | 4,549             | 2,412        | 2,137             | 88.6%          |
| NET INCREASE (DECREASE) IN   |                   |              |                   |                |
| CASH AND CASH EQUIVALENTS    | 101,602           | (174,266)    | 275,868           | -158.3%        |
| CASH AND CASH EQUIVALENTS,   |                   |              |                   |                |
| BEGINNING OF YEAR            | 1,273,783         | 1,448,049    | (174,266)         | -12.0%         |
| CASH AND CASH EQUIVALENTS,   |                   |              |                   |                |
| END OF YEAR                  | \$ 1,375,385      | \$ 1,273,783 | \$ 101,602        | 8.0%           |

Overall, there was a \$101,602 increase in the cash balance from fiscal year 2023 to fiscal year 2024, resulting in an ending cash balance of \$1,375,385 at June 30, 2024. The primary factor for the increase in the cash balance during fiscal year 2024 was the lack of spending for capital items.

*Cash Flows From Operating Activities:* Cash provided by operating activities for the year was \$97,053. Receipts from rentals was \$1,195,348 while receipts of contributions from State O&M funding was \$328,935. Both amounts were consistent with prior year. Payments to suppliers and for operating expenses account for \$1,082,785 of the cash outflow while payments related to contract labor account for \$344,445. The amount for contract labor represents an increase of \$57,134 or 19.9% from prior year. Combined, the cash provided by operating activities decreased by \$63,235 or 39.5% from fiscal year 2023.

*Cash Flows From Capital and Related Financing Activities:* There was no net cash used in capital and financing activities in fiscal year 2024, compared to \$336,966 used in the prior year for the replacement of the fire alarm and suppression system.

*Cash Flows From Investing Activities:* The net cash provided by investing activities was \$4,549 in fiscal year 2024 representing only interest earned on the cash accounts.

#### ECONOMIC OUTLOOK

As a facilities management company, the Clinic will continue to have key challenges in the coming years related to utility costs and increasing repair and maintenance costs on the building and

## FACULTY CLINIC, INC.

### *Management's Discussion and Analysis - Continued*

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equipment due to aging. The Clinic will need to continue to have enhanced cleaning services and supplies as a result of the lingering effects of the COVID-19 pandemic.

The variable rate bonds issued by the Clinic have now been paid in full. Thus, the need to build cash for debt payments, and concerns about the interest rate on the debt will no longer be factors in the future. The focus of the Clinic will now be to rebuild the cash balances to fund major repairs of the building and related equipment needed in future years. Various investment alternatives will be evaluated to balance availability, security and rate of return.

The annual inflation rate has hovered around 3% each of the past two years after labor issues and supply shortages drove prices up to an annual inflation rate of over 9% in June 2022, the highest level in over 40 years. The Clinic is facing pressure from rising costs of facility and maintenance expenses due to the age of the building. While steps have been taken for the Clinic to be more energy efficient, factors beyond the Clinic's control continue to impact expenses. Fortunately, there was a decrease in local electric rates this past year, due to a small decline in fuel costs, which led to the Clinic's electric expense reducing by 15.5% from fiscal year 2023. While efforts will be ongoing to improve efficiency, it is anticipated that electric costs will go back up in coming years. Water and sewer expense had an increase of 8.0% this year, and that is expected to continue into the future. Based on recent history, repairs to the HVAC systems will continue to be a major need of the Clinic. Fiscal year 2023 saw the completion of the new fire alarm and suppression system for the building at a cost of \$336,000. Although no capital items were purchased in fiscal year 2024, capital items planned for fiscal year 2025 include a new 3<sup>rd</sup> floor lobby access system for improved security (\$170,000) and the purchase of a new water softener system (\$30,000). Lease rates are projected to remain flat for fiscal year 2025. Changes in lease rates for future years will be driven mainly by facility operating and maintenance costs.

### CONTACTING THE CLINIC

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

## **Financial Statements**

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

|   | <i>June 30,</i>     |               |
|---|---------------------|---------------|
|   | <i>2024</i>         | <i>2023</i>   |
| <b>ASSETS</b>   |                     |               |
| <b>CURRENT ASSETS:</b>  |                     |               |
| Cash and cash equivalents   | <b>\$ 1,375,385</b> | \$ 1,273,783  |
| Current portion of lease receivables  | <b>1,003,482</b>    | 974,832       |
| Prepaid expenses and other current assets                                   | <b>14,105</b>       | 3,966         |
| Due from Shands Jacksonville Medical Center, Inc.                           | <b>88,772</b>       | 44,386        |
| TOTAL CURRENT ASSETS  | <b>2,481,744</b>    | 2,296,967     |
| <b>OTHER ASSETS:</b>  |                     |               |
| Lease receivables - less current portion                                    | <b>6,087,237</b>    | 7,093,075     |
| TOTAL LONG-TERM ASSETS  | <b>6,087,237</b>    | 7,093,075     |
| <b>CAPITAL ASSETS:</b>  |                     |               |
| Building and improvements   | <b>11,193,326</b>   | 11,193,326    |
| Equipment   | <b>3,870,835</b>    | 3,870,835     |
| TOTAL CAPITAL ASSETS  | <b>15,064,161</b>   | 15,064,161    |
| Less: accumulated depreciation and amortization                             | <b>(14,184,714)</b> | (14,025,114)  |
| TOTAL CAPITAL ASSETS<br>NET OF ACCUMULATED<br>DEPRECIATION AND AMORTIZATION | <b>879,447</b>      | 1,039,047     |
| TOTAL ASSETS  | <b>\$ 9,448,428</b> | \$ 10,429,089 |

**FACULTY CLINIC, INC.**

***Statements of Net Position - Continued***

|  | <i>June 30,</i>     |                      |
|--|---------------------|----------------------|
|  | <i>2024</i>         | <i>2023</i>          |
| <b>LIABILITIES</b>   |                     |                      |
| <b>CURRENT LIABILITIES:</b>  |                     |                      |
| Accounts payable and accrued expenses                                | \$ 86,997           | \$ 66,283            |
| Accrued contract labor   | 26,593              | 22,757               |
| Due to University of Florida Jacksonville<br>Physicians, Inc.        | 12,587              | 78,472               |
| TOTAL CURRENT LIABILITIES  | <u>126,177</u>      | <u>167,512</u>       |
| TOTAL LIABILITIES  | 126,177             | 167,512              |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                |                     |                      |
| Deferred lease revenue   | 6,800,632           | 7,846,883            |
| TOTAL DEFERRED INFLOWS OF RESOURCES                                  | <u>6,800,632</u>    | <u>7,846,883</u>     |
| <b>COMMITMENTS AND CONTINGENCIES -<br/>Note G</b>                    |                     |                      |
| <b>NET POSITION:</b>   |                     |                      |
| Net investment in capital assets                                     | 879,447             | 1,039,047            |
| Unrestricted   | 1,642,172           | 1,375,647            |
| TOTAL NET POSITION   | <u>2,521,619</u>    | <u>2,414,694</u>     |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>OF RESOURCES AND NET POSITION | <u>\$ 9,448,428</u> | <u>\$ 10,429,089</u> |

**FACULTY CLINIC, INC.**

***Statements of Revenue, Expenses, and Changes in Net Position***

|   | <i>Year Ended June 30,</i> |              |
|---|----------------------------|--------------|
|   | <b>2024</b>                | <b>2023</b>  |
| <b>REVENUE:</b>                         |                            |              |
| Rental income                           | <b>\$ 1,046,251</b>        | \$ 1,046,251 |
| State operating and maintenance funding | <b>328,935</b>             | 329,498      |
| Lease interest income                   | <b>218,160</b>             | 246,058      |
| TOTAL REVENUE                           | <b>1,593,346</b>           | 1,621,807    |
| <b>EXPENSES:</b>                        |                            |              |
| Contract labor                          | <b>348,281</b>             | 281,378      |
| Fees                                    | <b>119,644</b>             | 125,708      |
| Depreciation and amortization           | <b>159,600</b>             | 152,691      |
| Insurance, repairs and maintenance      | <b>443,403</b>             | 493,799      |
| Supplies                                | <b>74,600</b>              | 59,678       |
| Utilities and other                     | <b>345,442</b>             | 384,660      |
| TOTAL EXPENSES                          | <b>1,490,970</b>           | 1,497,914    |
| OPERATING INCOME                        | <b>102,376</b>             | 123,893      |
| <b>NONOPERATING REVENUE:</b>            |                            |              |
| Interest income                         | <b>4,549</b>               | 2,412        |
| NET NONOPERATING REVENUE                | <b>4,549</b>               | 2,412        |
| INCREASE IN NET POSITION                | <b>106,925</b>             | 126,305      |
| NET POSITION, BEGINNING OF YEAR         | <b>2,414,694</b>           | 2,288,389    |
| NET POSITION, END OF YEAR               | <b>\$ 2,521,619</b>        | \$ 2,414,694 |



## FACULTY CLINIC, INC.

### *Statements of Cash Flows*

|   | <i>Year Ended June 30,</i> |                     |
|---|----------------------------|---------------------|
|   | <i>2024</i>                | <i>2023</i>         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                            |                     |
| Receipts from rentals   | \$ 1,195,348               | \$ 1,195,348        |
| Receipt of contributions from State operating and maintenance funding                   | 328,935                    | 329,498             |
| Payments to suppliers and for operating expenses  | (1,082,785)                | (1,077,247)         |
| Payments related to contract labor  | (344,445)                  | (287,311)           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>97,053</b>              | <b>160,288</b>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                        |                            |                     |
| Purchase of capital assets  | -                          | (336,966)           |
| <b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        | <b>-</b>                   | <b>(336,966)</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                            |                     |
| Investment income received  | 4,549                      | 2,412               |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <b>4,549</b>               | <b>2,412</b>        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                             | <b>101,602</b>             | <b>(174,266)</b>    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                     | <b>1,273,783</b>           | <b>1,448,049</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$ 1,375,385</b>        | <b>\$ 1,273,783</b> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                            |                     |
| Operating income  | \$ 102,376                 | \$ 123,893          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                            |                     |
| Depreciation and amortization   | 159,600                    | 152,691             |
| Increase (decrease) in cash due to changes in:  |                            |                     |
| Lease receivables   | 977,188                    | 949,291             |
| Prepaid expenses and other current assets   | (10,139)                   | 3,201               |
| Accounts payable and accrued expenses   | 20,714                     | 12,965              |
| Accrued contract labor  | 3,836                      | (5,933)             |
| Due to University of Florida Jacksonville Physicians, Inc.                              | (65,885)                   | 14,818              |
| Due from Shands Jacksonville Medical Center, Inc.                                       | (44,386)                   | (44,386)            |
| Deferred lease revenue  | (1,046,251)                | (1,046,252)         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>\$ 97,053</b>           | <b>\$ 160,288</b>   |

*See Accompanying Notes to Financial Statements.*

## FACULTY CLINIC, INC.

### *Notes to Financial Statements*

#### *Years Ended June 30, 2024 and 2023*

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#### NOTE A--REPORTING ENTITY

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

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

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2024 and 2023*

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

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

*Net Position:* Net position of the Clinic is classified in components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted* is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Clinic. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. The Clinic had no restricted net position at June 30, 2024 and 2023.

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

*Income Taxes:* The Clinic is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. The Internal Revenue Code provides for taxation of certain unrelated business income. The Clinic has no taxable unrelated business income. Accordingly, no provision for income taxes has been included in the accompanying financial statements. There were no uncertain tax positions. Tax returns for the years ended June 30, 2020 through 2024 are subject to examination by taxing authorities.

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Future results could differ from those estimates.

**FACULTY CLINIC, INC.**

*Notes to Financial Statements - Continued*

**Years Ended June 30, 2024 and 2023**

**NOTE C--CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2024 and 2023 is as follows:

|                                | <i>Balance at<br/>July 1,<br/>2023</i> | <i>Additions</i> | <i>Retirements</i> | <i>Transfers</i> | <i>Balance at<br/>June 30,<br/>2024</i> |
|--------------------------------|--|------------------|--------------------|------------------|---|
| Capital assets:                |  |                  |                    |                  |   |
| Building and improvements      | \$ 11,193,326                          | \$ -             | \$ -               | \$ -             | \$ 11,193,326                           |
| Equipment                      | 3,870,835                              | -                | -                  | -                | 3,870,835                               |
| Construction in progress       | -                                      | -                | -                  | -                | -                                       |
| Total capital assets           | 15,064,161                             | -                | -                  | -                | 15,064,161                              |
| Accumulated depreciation:      |  |                  |                    |                  |   |
| Building and improvements      | 10,177,776                             | 149,617          | -                  | -                | 10,327,393                              |
| Equipment                      | 3,847,338                              | 9,983            | -                  | -                | 3,857,321                               |
| Total accumulated depreciation | 14,025,114                             | 159,600          | -                  | -                | 14,184,714                              |
| Capital assets, net            | \$ 1,039,047                           | \$ (159,600)     | \$ -               | \$ -             | \$ 879,447                              |
|                                |  |                  |                    |                  |   |
|                                | <i>Balance at<br/>July 1,<br/>2022</i> | <i>Additions</i> | <i>Retirements</i> | <i>Transfers</i> | <i>Balance at<br/>June 30,<br/>2023</i> |
| Capital assets:                |  |                  |                    |                  |   |
| Building and improvements      | \$ 10,857,275                          | \$ 336,966       | \$ (915)           | \$ -             | \$ 11,193,326                           |
| Equipment                      | 3,870,835                              | -                | -                  | -                | 3,870,835                               |
| Construction in progress       | -                                      | -                | -                  | -                | -                                       |
| Total capital assets           | 14,728,110                             | 336,966          | (915)              | -                | 15,064,161                              |
| Accumulated depreciation:      |  |                  |                    |                  |   |
| Building and improvements      | 10,036,968                             | 141,723          | (915)              | -                | 10,177,776                              |
| Equipment                      | 3,836,370                              | 10,968           | -                  | -                | 3,847,338                               |
| Total accumulated depreciation | 13,873,338                             | 152,691          | (915)              | -                | 14,025,114                              |
| Capital assets, net            | \$ 854,772                             | \$ 184,275       | \$ -               | \$ -             | \$ 1,039,047                            |

**NOTE D--RELATED PARTY TRANSACTIONS**

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

**FACULTY CLINIC, INC.**

*Notes to Financial Statements - Continued*

***Years Ended June 30, 2024 and 2023***

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

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

| <u><i>Year Ending June 30,</i></u> |                     |
|------------------------------------|---------------------|
| 2025                               | \$ 1,003,482        |
| 2026                               | 1,032,972           |
| 2027                               | 1,063,330           |
| 2028                               | 1,094,580           |
| 2029                               | 1,126,749           |
| 2030-2031                          | <u>1,752,511</u>    |
|                                    | <u>\$ 7,073,624</u> |

The Clinic received all rent owed from UFJP for fiscal years 2024 and 2023. Amounts owed by Shands Jacksonville as of June 30, 2024 and 2023, were \$88,772 and \$44,386, respectively

*University of Florida Jacksonville Physicians, Inc.:* The Clinic owed \$12,587 and \$78,472 to UFJP for insurance, management fees, and other expenses at June 30, 2024 and 2023, respectively.

Additionally, UFJP charged the Clinic a management fee of \$32,004 for the years ended June 30, 2024 and 2023, which is included in fees expense in the accompanying statements of revenue, expenses, and changes in net position.

The Clinic has no employees. All staffing is provided by UFJP on a contract basis and is recognized as contract labor expense in the statements of revenue, expenses, and changes in net position for the years ended June 30, 2024 and 2023.

*State O&M Funding:* During 2003, the State approved Operating & Maintenance (O&M) funding for the Clinic. Such funding amounted to \$328,935 and \$329,498 for the years ended June 30, 2024 and 2023, respectively. State O&M funding is appropriated for repairs and maintenance expenditures.

**NOTE E--LEASE RECEIVABLE**

As previously described, the Clinic entered into agreements with UFJP and Shands Jacksonville for the lease of office space and equipment. Both noncancelable lease terms have 78 months remaining as of June 30, 2024 and respective future monthly minimum lease payments are \$41,602 and \$45,135. The lease receivables are measured as the present value of the future minimum rent

## FACULTY CLINIC, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2024 and 2023*

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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, 2024 and 2023, the Clinic recognized \$1,046,251 of lease revenue and \$218,160 and \$246,058, respectively, of lease interest revenue.

#### NOTE F--RETIREMENT PLAN

The Clinic established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code in December 1987 for eligible employees. There were no contributions to this plan in 2024 or 2023. The current staff are all employees of UFJP and are leased to the Clinic. These employees participate in the UFJP defined contribution plan. Retirement contributions for these employees were \$8,681 and \$4,936 for the years ended June 30, 2024 and 2023, respectively.

#### NOTE G--COMMITMENTS AND CONTINGENCIES

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

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

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

*Concentration of Credit Risk:* Certain financial instruments potentially subject the Clinic to concentrations of credit risk. The Clinic maintains its cash and cash equivalents with what it believes to be high quality financial institutions and thus limits its credit exposure. The cash

**FACULTY CLINIC, INC.**

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2024 and 2023*

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maintained in these institutions may from time to time exceed federally insured limits; however, management believes the credit risk to be minimal.

**NOTE H--FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**NOTE I--SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2024 financial statements.

## **Other Information**



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Faculty Clinic, Inc. (the Clinic) (a component unit of the University of Florida), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements, and have issued our report thereon dated September 26, 2024.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Clinic’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

PYA, P.C.

Tampa, Florida  
September 26, 2024