

**THE FLORIDA INTERNATIONAL UNIVERSITY
HEALTH CARE NETWORK, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Audit Committee of,
The Florida International University Health Care Network, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Florida International University Health Care Network, Inc. (FIU-HCN), formerly known as The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc., a component unit of Florida International University as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise FIU-HCN's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of FIU-HCN as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FIU-HCN and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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

FIU-HCN'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 FIU-HCN'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.

Auditors' 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 auditors' 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 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, 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 FIU-HCN'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 FIU-HCN'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 management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 October 24, 2023, on our consideration of FIU-HCN'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 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 FIU-HCN's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 24, 2023

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of The Florida International University Health Care Network, Inc. (the FIU-HCN or HCN) for the fiscal years ended June 30, 2023, and 2022, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto, are the responsibility of management.

BACKGROUND

The revenues of FIU-HCN have included management fees deriving from management services provided to the Herbert Wertheim College of Medicine (HWCOC) clinics, the HWCOC Office of International Affairs (HWCOC-OIA), the FIU Student Health Clinics, and the Center for Children and Families for credentialing services. The HWCOC-OIA operations moved to HWCOC under the university's business unit effective October 1, 2022.

FIU-HCN also receives rental income deriving from the leases of the Ambulatory Care Center (ACC) to Nicklaus Children's Hospital and Gastro Health.

FIU-HCN changed its name from The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc., to The Florida International University Health Care Network, Inc. as approved by the FIU-HCN Board of Directors during a special board meeting on April 12, 2023. The name change aligns with changes in the FIU-HCN amended and restated Articles of Incorporation and By-laws approved by the FIU-HCN Board of Directors during the meeting.

In alignment with the fiscal year 2023 addendum to the Memorandum of Understanding (MOU) between FIU-HCN and the HWCOC, during the fiscal year 2023 the revenues include management fee revenue from HWCOC up to the patient revenue recorded by HWCOC. In addition, FIU-HCN pays HWCOC for the clinic support activities related to the HWCOC patient services providers and other clinic support personnel. This is part of the contractual personnel services expense in FIU-HCN, and this cost is paid to HWCOC up to the amount of management fees received from HWCOC.

FINANCIAL HIGHLIGHTS – CURRENT YEAR

The FIU-HCN assets in fiscal year 2023 totaled approximately \$12.3 million as of June 30, 2023; a decrease of approximately \$0.36 million from June 30, 2022. This is driven by a decrease in non-current assets resulting from the change in the long-term portion of the lease receivables balance in alignment with the "GASB 87 Leases" accounting.

Liabilities totaled approximately \$6.9 million as of June 30, 2023, a decrease of approximately \$0.71 million over prior fiscal year driven by the decrease in current liabilities of \$0.31 million related to the transition of the HWCOC-OIA operations to HWCOC and by a decrease of \$0.40 million in non-current liabilities. The decrease in non-current liabilities derives from change in value of future lease revenues expected to be recognized from the lease with Nicklaus Children's Hospital at the Ambulatory Care Center (ACC) during the lease term as per GASB 87 requirements for leases.

Operating revenues totaled approximately \$4.7 million for the 2023 fiscal year, an approximate decrease of \$6.9 million over prior fiscal year. Most of this decrease is driven by the transition of the HWCOC OIA program operations and its management revenues from FIU-HCN to HWCOC effective October 1, 2022.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

Operating expenses totaled approximately \$4.5 million for the 2023 fiscal year, a decrease of approximately \$1.4 million over the prior fiscal year. This is mainly derived from the transition of the HWCOT OIA operations from FIU-HCN to HWCOT effective in October 2022. Fiscal year 2023 reflects one quarter of OIA operating expenses as compared to twelve months in prior fiscal year 2022.

Non-operating revenues include the net of SPIA (State Treasury Special Purpose Investment Account) investment gains totaling \$109 thousand.

FINANCIAL HIGHLIGHTS – PRIOR YEAR

The FIU-HCN assets in FY2022 totaled approximately \$12.7 million as of June 30, 2022; an increase of approximately \$1.1 million from June 30, 2021, resulting primarily from the cash and receivables from management fees under the management service line of business and cash and receivables from the educational program under the HWCOT Office of International Affairs (OIA) line of business. Approximately \$2.7 million under total assets in fiscal year 2022 pertains to the operations of the HWCOT-OIA program. Total cash sent to HWCOT net of expenses from their OIA program during the fiscal year 2022 amounted to \$3.07 million.

The liabilities represent the accounts payable due to vendors and the Florida International University, accruals for the operating expenses, and the unearned revenue related to the pre-paid rotations under the HWCOT-OIA program. Total liabilities in fiscal year 2022 ended at \$7.6 million, a decrease of approximately \$1.3 million over prior fiscal year driven by the full payment of the balance of the loan due to FIU amounting \$6.7 million which was offset by the recognition of deferred inflow of resources of approximately \$5.1 million. Liabilities related to the HWCOT-OIA program amounted to approximately \$2.1 million as of June 30, 2022.

The FIU-HCN's operating revenues totaled approximately \$11.7 million for the 2022 fiscal year, an approximate increase of \$513 thousand over prior fiscal. Most of this increase is driven by higher volumes in the OIA program resulting from the ability to offer remote learning programs through January 2022 as a result of the COVID-19 pandemic.

Included in the \$11.7 million operating revenues of fiscal year 2022 are: (a) Management fee service revenue totaling approximately \$3.08 million. (2) The HWCOT-OIA educational program revenue and other OIA revenues deriving from registration, change and cancellation fees totaling approximately \$6.0 million. (3) Revenues related to the HWCOT clinics (the payments from HWCOT to cover the cost of operating the HWCOT clinical sites) totaling approximately \$1.5 million reported as part of "other revenues". (4) The rental revenue and CAM revenue amounting to approximately \$0.79 million deriving from the Nicklaus Children's Hospital lease.

Operating expenses totaled approximately \$6.0 million for the 2022 fiscal year, an increase of approximately \$215 thousand over the prior fiscal year. This increase relates to vacant positions in prior fiscal year that were filled in 2022 fiscal year driving the increase in contractual personnel services and by the increase in contracted professional services expense in the HWCOT-OIA program related to the increase in student rotation volumes.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

Non-operating expenses include the net of SPIA (State Treasury Special Purpose Investment Account) investment losses totaling \$29 thousand, and the total recorded transfers from the OIA program to HWCOC related to the fiscal year 2022 net income totaling approximately \$3.3 million.

OVERVIEW OF FINANCIAL STATEMENTS

The FIU-HCN's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

Statement of Net Position

The statement of net position reflects the assets and liabilities of the FIU-HCN, using the accrual basis of accounting, and presents the financial position of the FIU-HCN at a specified time. The difference between total assets and total liabilities, net position, is one indicator of the FIU-HCN's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the FIU-HCN's financial condition.

The following summarizes the FIU-HCN's assets, liabilities, and net position as of June 30:

Condensed Statements of Net Position as of June 30 (In Thousands)

	2023	2022
Assets		
Current assets (1)	\$ 7,808	\$ 7,827
Noncurrent assets (2)	4,526	4,869
Total Assets	\$ 12,334	\$ 12,696
Liabilities		
Current liabilities (3)	\$ 2,224	\$ 2,537
Noncurrent liabilities (4)	4,687	5,085
Total Liabilities	\$ 6,911	\$ 7,622
Net Position		
Investment in capital assets	\$ 21	\$ 26
Unrestricted	5,043	5,047
Total Net Position (5)	\$ 5,424	\$ 5,073

- (1) *Current assets are made up of a balance in cash of approximately \$4.6 million, receivables totaling \$2.2 million as of June 30, 2023, and SPIA (State Treasury Special Purpose Investment Account) of approximately \$1.0 million.*
- (2) *Noncurrent assets include a balance in lease receivable related to GASB 87 Leases of \$4.5 million and non-current capital assets net of depreciation of \$0.02 million as of June 30, 2023.*
- (3) *Current liabilities include \$2.1 million in accounts payables due to FIU in alignment with the fiscal year 2023 addendum to the Memorandum of Understanding (MOU) between FIU-HCN and the HWCOC.*

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

- (4) *Noncurrent liabilities derive from "deferred inflow, leases" in accordance with GASB 87 for the lease with Nicklaus Children's Hospital at the Ambulatory Care Center (ACC).*
- (5) *As of June 30, 2023, FIU-HCN's net position balance of \$5.4 million includes approximately \$1.1 million reserved for future common area maintenance (CAM) expenses associated with the Nicklaus Children's Hospital lease agreement.*

The HWCAM-OIA operations transitioned from FIU-HCN to HWCAM in October 2022. The assets and liabilities of the FIU-HCN include the assets and liabilities related to the HWCAM-OIA line of business during the first fiscal quarter while under FIU-HCN and twelve months under prior fiscal year 2022.

In fiscal year 2023 total assets net of depreciation decreased by approximately \$0.36 million. The decrease is related to cash and long-term lease receivables decreasing by \$0.94 million and \$0.34 million, respectively and offset by an increase in other receivables of \$0.88 million deriving from the fiscal year 2023 addendum to the Memorandum of Understanding (MOU) between FIU-HCN and the HWCAM.

Total liabilities decreased by approximately \$0.71 million driven by the decrease in unearned revenue of \$0.49 million and the decrease in deferred inflow of resources related to GASB 87 leases of \$0.40 million which was offset by the increase in Due to FIU of \$0.45 million.

Net Position ended at \$5.4 million, an increase of approximately \$350 thousand over prior fiscal year. The change in net position is made up of \$0.10 million from the proceeds of the HWCAM-OIA operations during the first fiscal quarter, \$0.11 million from interest income and \$0.14 million from the proceeds of the CAM which are set aside as reserves for future CAM expenses.

In fiscal year 2022 total assets increased by approximately \$1.1 million. This includes non-current capital assets net of depreciation. The increase derives primarily from the recognition of Lease receivables amounting \$5.2 million based on the present value of lease payments expected to be received from the lease with Nicklaus Children's Hospital at the Ambulatory Care Center (ACC) during the term of the lease in accordance with GASB 87 Leases. This was offset by cash decrease of approximately \$4.2 million as compared to the end of prior fiscal year deriving from the payment made to FIU on July 1, 2021, to pay the loan balance of \$6.7 million as per the approval during the FIU-HCN Board of Directors meeting on May 19, 2021. The loan dated back to May 2015.

Total liabilities decreased by approximately \$1.3 million resulting from the decrease in Due to FIU by \$6.7 million related to the payment of the loan which was offset by the recognition of deferred inflow of resources (as per GASB 87) of approximately \$5.1 million and the increase in payables due to HWCAM from the OIA program net income amounting \$0.3 million

Net Position ended at \$5.1 million, an increase of approximately \$2.4 million over prior fiscal year deriving primarily from the management fee revenues. Approximately \$1.0 million in net position in fiscal year 2022 is set aside for future common area maintenance expense associated with the Nicklaus Children's Hospital lease agreement.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the FIU-HCN's revenue and expense activity, categorized as operating and non-operating. Operating revenues are comprised principally of management fee service revenues, HWCOM-OIA educational program revenue and the rental income. The management fee service revenues during fiscal year 2023 derive from the management of the HWCOM clinics, the HWCOM Office of International Affairs (HWCOM-OIA) in the first fiscal quarter, the FIU Student Health Clinics service agreement, CCF credentialing services and the leases of the Ambulatory Care Center (ACC) to Nicklaus Children's Hospital and to Gastro Health. The HWCOM-OIA program moved from the FIU-HCN business unit to HWCOM effective October 1, 2022, under the university's business unit.

Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the FIU-HCN's activity for the fiscal years ended June 30:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	2023	2022
Operating revenues	\$ 4,747	\$ 11,683
Operating expenses	4,505	5,951
Operating Gain	241	5,732
Non-operating revenue and expenses – net (1)	109	(29)
Net transfers to the University	-	(3,292)
Change in Net Position	350	2,411
Net Position , beginning of year	5,073	2,662
Net Position , end of year	\$ 5,423	\$ 5,073

(1) *Non -operating revenue and expenses include the interest earnings from cash in bank in fiscal year 2023 and the net investment earnings/(loss) from SPIA (State Treasury Special Purpose Investment Account).*

Operating Revenues

The FIU-HCN categorizes revenues as either operating or non-operating. Operating revenues are derived mainly from management fees, educational programs under the HWCOM Office of International Affairs (OIA), and rental income. The HWCOM-OIA transitioned out of FIU-HCN effective October 1, 2022.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

The following summarizes the operating revenues by source that were used to fund operating activities during the fiscal years ended June 30.

Operating Revenues (In Thousands)

	2023	2022
Management fees	\$ 2,420	\$ 3,078
Educational program	1,398	5,971
Rental revenue	638	608
Rental revenue – (Common Area Maintenance)	192	178
Other revenues	98	1,848
Total Operating Revenues	\$ 4,746	\$ 11,683

The decrease in management fees and educational program revenue is related to moving the HWCOM-OIA operations out of the FIU-HCN business unit to HWCOM under the university's business unit. HWCOM-OIA moved effective October 1st, 2022.

The management fees derive from the management of the HWCOM clinics where the faculty physicians of HWCOM provide services to patients of the local community, the HWCOM-OIA educational program where FIU-HCN provided management services through September 30, 2022, under the agreement with American University of Antigua (AUA), the management fees deriving from the service agreement with the Division of Academic and Student Affairs (DASA) for the Student Health Clinics, and the management fees deriving from the credentialing services to the Center for Children and Families (CCF).

The clinical services are provided by the faculty physicians, and they consist of Family Medicine, Internal Medicine, Gynecology, Dermatology, clinical Oncology, Psychiatry and Behavioral Health. These providers operate in various clinical sites: the Ambulatory Care Center (ACC) in the Modesto A. Maidique Campus and in the three mobile health clinics. Patient revenues are not reported above since they are recorded directly on the books of HWCOM along with respective patient accounts receivable.

The educational program revenue under HWCOM-OIA is derived from the pre-clinical semester rotations (FM1/IM1), the graduate certificate program (core program) and the fourth-year electives program from the AUA and from fees from clinical electives in the International Visiting Medical Student (IVMS) program administered to international students through collaboration with various institutions around the world.

In fiscal year 2023, management services are provided to HWCOM in exchange for a fee based on the patient revenues under HWCOM. The Management fees from HWCOM are capped up to the amount of patient revenues recognized by the HWCOM. Therefore, FIU-HCN captures the dollars equivalent to the clinical activity in fiscal year 2023 under "management fees". This is in alignment with the fiscal year 2023 addendum to the Memorandum of Understanding (MOU) between FIU-HCN and the HWCOM.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

Rental revenue is generated from the leases at the Ambulatory Care Center (ACC) to Gastro Health and to the Nicklaus Children's Hospital on the second floor operating as an Ambulatory Surgical Center which opened in April of 2015. The CAM received with the rent payment from the Nicklaus Children's Hospital gets recognized as revenue.

Other revenues derive from the HWCOT-OIA program generating other fees related to registration, change and cancellation fees. Fiscal year 2023 reflects a decrease due to the transition of the HWCOT-OIA operations to HWCOT as well as the alignment with the addendum to the Memorandum of Understanding (MOU) between FIU-HCN and the HWCOT that resulted in management fees to FIU-HCN. Other revenue in fiscal year 2022 included the payments from HWCOT to FIU-HCN to cover the operating expenses passed through FIU-HCN for the operating expenses of the clinic and this is not applicable in fiscal year 2023 due to the MOU.

Operating Expenses

The FIU-HCN categorizes expenses as operating or non-operating. The Governmental Accounting Standards Board (GASB) gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The FIU-HCN has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position.

The following summarizes the operating expenses by natural classifications for the fiscal years ended June 30.

Operating Expenses (In Thousands)

	2023	2022
Contractual personnel services (1)	\$ 3,020	\$ 2,495
Contracted professional services	741	2,757
Common area maintenance expenses	55	41
Other operating	437	426
Depreciation	5	5
Supplies - medical	158	143
Utilities	40	49
Repairs and maintenance	4	5
Advertising and promotion	19	16
Supplies - other	26	14
Total Operating Expenses	\$ 4,505	\$ 5,951

(1) Contractual personnel services in fiscal year 2023 include the cost paid to HWCOT for the support activities related to the HWCOT patient services providers and other clinic support personnel. This cost is capped up to the amount of management fees received from HWCOT in alignment with the MOU between FIU-HCN and HWCOT.

Fiscal year 2023 operating expenses totaled approximately \$4.5 million: a decrease of approximately \$1.4 million from the previous fiscal year. The decrease is driven by lower contracted professional services related to the HWCOT-OIA program operations having transitioned to HWCOT on October 1st, 2022.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

Fiscal year 2022 operating expenses totaled approximately \$5.9 million, and it included twelve months of the HWCOM-OIA program operating expenses.

Non-Operating Revenue and Expenses

Non-operating revenues and expenses are made up of net earnings from the investments with SPIA (State Treasury Special Purpose Investment Account) and from interest earnings related to cash in bank.

The following summarizes the FIU-HCN’s non-operating expenses for the fiscal years ended June 30:

Non-Operating Revenues (Expenses) (In Thousands)

	2023	2022
Other Income (expense) - SPIA	\$ 109	\$ (29)
Non-Operating Revenues (Expenses)	\$ 109	\$ (29)

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

In fiscal year 2024 the FIU-HCN operations will be focused on integrating the involvement of the Faculty Group Practice (FGP) Clinical Department Chairs in reaching the budgeted volume targets. The integration will include but not limited to the monthly distribution of current FY performance to budgetary targets focusing on action planning around deficits and shortfalls. Several new initiatives will be rolled out that will drive new sources of revenue for HCN. Those include but are not limited to transcranial magnetic simulation (TMS) as a non-invasive treatment option for major depressive disorder, esketamine treatments for treatment-resistant major depressive disorder, pharmacogenomic testing for optimizing treatment options in psychiatry, and bioidentical hormone-replacement therapy.

The FIU-HCN revenues and expenses will be re-aligned based on the results of the clinical affiliation negotiations and the related agreement expected to be completed during fiscal year 2024. Until such time, in fiscal year 2024 the FIU-HCN management fee revenues from HWCOM and the contractual personnel services expense will continue to be aligned with the addendum to the Memorandum of Understanding (MOU) between FIU-HCN and the HWCOM.

In fiscal year 2024, the revenue budgeted under the FIU-HCN does not reflect patient revenues. Patient revenues will continue to be recorded directly under HWCOM pending the finalization of the clinical affiliation agreement. Operational support will be provided to aid with the integration and transition efforts which is anticipated to take over a full year extending into fiscal year 2025.

In the management fees related to the service agreement with the Division of Academic & Student Affairs (DASA) for the services for the Student Health Clinic, FIU-HCN will continue to provide administrative and support services in exchange for a flat fee representing specific administrative support services. The corresponding revenues from DASA will change from \$90 thousand in fiscal year 2023 to a lower amount due to a reduced service level in the new intra university agreement for fiscal year 2024.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

Credentialing services to the Center for Children and Families (CCF) and the leases from Nicklaus Children's Hospital and Gastro Health will remain unchanged.

Any deficit from expenses exceeding income under the FGP clinic will be funded by HWCOM as cost reimbursement from the HWCOM-OIA auxiliary revenues pending the finalization of the clinical affiliation agreement.

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of the FIU-HCN's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, The Florida International University Health Care Network, Inc., 11200 SW 8th Street, Miami, Florida 33199.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 4,574,473
Due from Florida International University	1,860,298
Management fee receivable	8,315
Lease-related interest receivable	13,872
Current portion of lease receivable	324,044
Other receivables	2,502
Prepaid expenses	15,318
Investments	1,009,161
Total current assets	7,807,983
Noncurrent assets	
Lease receivable, less current portion	4,504,983
Depreciable capital assets, net	21,014
Total noncurrent assets	4,525,997
Total assets	\$ 12,333,980

LIABILITIES

Current liabilities	
Accounts payable	\$ 92,894
Due to Florida International University	2,076,471
Unearned revenue	54,220
Total current liabilities	2,223,585
Total liabilities	\$ 2,223,585

DEFERRED INFLOW

Deferred inflow of resources - lease-related	\$ 4,686,519
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NET POSITION

Net position	
Net investment in capital assets	\$ 21,014
Unrestricted (see note 8)	5,402,862
Total net position	\$ 5,423,876

The accompanying notes are an integral part
of this financial statement.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Operating revenues	
Management fee revenue	\$ 2,419,584
Educational program revenue	1,398,469
Lease-related revenue	830,372
Other revenue	98,180
Total operating revenues	<u>4,746,605</u>
Operating expenses	
Contractual personnel services	3,019,952
Contracted professional consulting services	740,674
Common area maintenance expenses	54,951
Software licensing fees	415,111
Other operating	22,008
Depreciation	5,006
Supplies - medical	157,731
Utilities	40,059
Repairs and maintenance	4,174
Advertising and promotion	19,418
Supplies - other	26,291
Total operating expenses	<u>4,505,375</u>
Operating income	<u>241,230</u>
Nonoperating income	
Other income	109,214
Change in net position	<u>350,444</u>
Net position, beginning of year	5,073,432
Net position, end of year	<u><u>\$ 5,423,876</u></u>

The accompanying notes are an integral part
of this financial statement.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities	
Receipts from management fee revenue	\$ 976,048
Receipts from educational program revenue	1,478,192
Receipts from lease-related revenue	757,586
Receipts from other revenue	98,180
Payments to suppliers for goods and services	<u>(4,327,958)</u>
Net cash and cash equivalents used in operating activities	<u>(1,017,952)</u>
 Cash flows from investing activities	
Interest income received	<u>74,153</u>
Net cash and cash equivalents provided by investing activities	74,153
 Net change in cash and cash equivalents	 <u>(943,799)</u>
 Cash and cash equivalents, beginning of year	 5,518,272
 Cash and cash equivalents, end of year	 <u><u>\$ 4,574,473</u></u>
 Reconciliation of operating income to net cash and cash equivalents used in operating activities:	
Operating income	\$ 241,230
Depreciation	5,006
Loss on disposal of capital assets	212
Adjustments to reconcile operating income to net cash and cash equivalents used in operating activities:	
Decrease in lease receivable	325,161
Decrease in lease-related interest receivable	934
Increase in due from Florida Internal University	(1,860,298)
Decrease in management fee receivable	416,762
Decrease in education program receivable	566,488
Increase in other accounts receivable	(29)
Increase in prepaid expenses	(1,094)
Decrease in deferred inflow of resources	(398,852)
Decrease in unearned revenue	(486,765)
Increase in due to Florida International University	450,849
Decrease in accounts payable	<u>(277,556)</u>
Net cash and cash equivalents used in operating activities	<u><u>\$ (1,017,952)</u></u>

The accompanying notes are an integral part
of this financial statement.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The Florida International University Health Care Network, Inc. (the “FIU-HCN”) is organized: (i) as a not-for-profit corporation pursuant to Chapter 617, Florida Statutes; (ii) as a university health services support organization pursuant to Sections 1004.29 and 1004.30, Florida Statutes; (iii) pursuant to Board of Governors Regulations 9.011 and 9.017; and (iv) pursuant to all other applicable state of Florida laws and Florida International University Board of Trustees regulations. The FIU-HCN shall possess all of the powers and authority as are now or may hereafter be granted to not-for-profit corporations and university health services support organizations in the State of Florida. The FIU-HCN is organized and shall be operated exclusively for charitable, scientific, and educational purposes and not for pecuniary profit, and for the support and benefit of the Florida International University (the “University” or “FIU”) and its Herbert Wertheim College of Medicine (HWCOM), pursuant to Florida Board of Governors Regulation 9.017. FIU HCN is an affiliated organization and component unit of Florida International University (“FIU”) and is included by discrete presentation in FIU’s financial statements.

FIU-HCN was organized in the State of Florida on February 21, 2008, and on August 9, 2012, FIU-HCN changed its name from The Florida International University College of Medicine Health Care Network Faculty Group Practice, Inc. to The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. On April 27, 2023, FIU-HCN changed its name to The Florida International University Health Care Network, Inc.

(b) **Basis of presentation**—The financial statements of FIU-HCN have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. FIU-HCN reports under the GASB standards because it meets the criteria regarding the popular election of officers or appointment of a controlling majority of the members of FIU-HCN’s governing body by one or more state or local governments.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, FIU-HCN met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of timing of the related cash flow.

(c) **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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

(d) **Cash and cash equivalents**—FIU-HCN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Investments and fair value measurements**—Funds are invested in the Special Purpose Investment Account (“SPIA”) within the Florida Treasury Investment Pool (“FTIP”). This is a pool of investments whereby FIU-HCN owns a share of the pool, not the underlying securities.

Investments are recorded at fair value. Interest, dividends, and gains and losses on investments, both realized and unrealized, are included in net investment income on the statement of revenues, expenses and changes in net position.

FIU-HCN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs (see Note 2).

(f) **Capital assets**—Capital assets are reported at historical cost less accumulated depreciation. Capital assets consist of fixed and moveable medical equipment. Depreciation is calculated using the straight line method over the estimated service lives of the assets, which consist of 5-15 years for moveable equipment and 5-7 years for fixed equipment.

(g) **Flow assumption for restricted assets**—If both restricted and unrestricted assets are available for use for a certain purpose, it is FIU-HCN’s policy to use restricted assets first, and then use unrestricted assets as needed.

(h) **Operating revenue and expenses**—FIU-HCN’s statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues, and expenses. Operating revenue results from exchange transactions associated with providing management services to HWCOC, Student Health Clinics, the management of the educational program for the OIA, Center for Children and Families (CCF) credentialing services, and the subleases to Nicklaus Children’s Hospital and Gastro Health. Operating expenses include all expenses incurred to provide management services, other than external financing costs. Additionally, operating expenses also include programmatic services and other expenses that are passed through to stake holders.

(i) **Educational program revenue**—Educational program revenues are earned under the terms of the agreement with the AUA and consist of monthly tuition revenues earned at the start of each program cycle. In addition, FIU-HCN receives program revenue under OIA from the International Visiting Medical Student program administered to international students through collaboration with various institutions. FIU-HCN manages the operations and is custodial of programmatic profits until such time the HWCOC requests transfers of the profits. Effective October 1, 2022, these agreements have been reassigned to HWCOC.

(j) **Income taxes**—FIU-HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2023. Management is not aware of any activities that would jeopardize FIU-HCN tax exempt status. FIU-HCN is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years for the past three years remain subject to examination by taxing authorities.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Recently issued accounting pronouncements**—GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022. This standard has no impact to the financial statements for the year ended June 30, 2023.

(2) **Investments:**

Investments are comprised of funds invested in the SPIA within the FTIP. Funds within the FTIP are subject to various risks including credit risk and interest rate risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk can be evaluated based on the rating assigned to an issuer or other counterparty by an independent rating agency. Interest rate risk is the risk that arises for holders of fixed income securities due to fluctuations in interest rates. This risk increases as the time to maturity or duration of these securities increases. The FTIP is not exposed to foreign currency risk as State law and investment policy do not authorize the FTIP to purchase investments in foreign currencies.

FIU-HCN reported investments in SPIA at fair value totaling \$1,009,161 at June 30, 2023, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.02 years with a fair value factor of 0.9667 as of June 30 2023.

Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. FIU-HCN relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Annual Comprehensive Financial Report.

The fair value of FIU-HCN's investment in the SPIA is measured on a recurring basis, which is valued based on FIU-HCN's share of the pool, using significant unobservable inputs (Level 3), as of June 30, 2023.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(3) Educational Program:

Effective October 1, 2013, an agreement was executed by HWCOTM on behalf of FIU-HCN with the AUA that allows for the opportunity for qualified AUA students to participate in a HWCOTM Clinical Certificate Program that offers clinical rotations in multiple medical specialties under three different AUA programs.

A new agreement with the AUA was executed by HWCOTM, FIU-HCN and the Florida International University effective October 1, 2018 through September 30, 2021, increasing rates and replacing the previous agreement. The agreement automatically renewed for one year through September 30, 2022, generating management fee and education program revenues for FIU-HCN. The agreement has been reassigned to HWCOTM effective October 1, 2022.

For the year ended June 30, 2023, total revenues earned under the terms of the agreements approximated \$1,670,000, composed of \$470,000 in management fee revenue and \$1,200,000 in educational program revenue.

(4) Depreciable Capital Assets:

A summary of depreciable capital assets is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Medical equipment	\$ 551,669	\$ -	\$ (1,031)	\$ 550,638
Accumulated depreciation	(525,437)	(5,006)	819	(529,624)
Depreciable capital assets, net	<u>\$ 26,232</u>	<u>\$ (5,006)</u>	<u>\$ (212)</u>	<u>\$ 21,014</u>

(5) Related Party Transactions:

As of June 30, 2023, \$2,076,471 was owed to FIU for expenses incurred in the ordinary course of business and is included in current liabilities on the statement of net position. Amounts owed from FIU for revenues incurred in the ordinary course of business are included in current assets on the statement of net position at June 30 2023 and totaled \$1,860,298.

(6) Leases:

The University and FIU-HCN are parties to a space leasing agreement for the Ambulatory Care Center with a term of 40 years, expiring in October 2053. For the year ended June 30, 2023, rent expense under this agreement amounted to \$1 per year.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(6) **Leases:** (Continued)

Furthermore, certain space within this facility was subleased. For the year ended June 30, 2023, FIU-HCN recognized lease revenue of \$460,998, interest revenue of \$177,584, and common area maintenance income of \$191,790, for a total \$830,372 of lease-related revenue, respectively. This sublease runs through 2035, and has an option to renew for an additional 10-year period. Future minimum rentals will be increased by the Bureau Labor Statistics Consumer Price Index (“CPI”) on annual basis. Future minimum rentals to be received on the sublease are as follows:

Fiscal Year Ending June 30	Principal	Interest	Common Area Maintenance	Total
2024	\$ 337,916	\$ 165,730	\$ 191,790	\$ 695,436
2025	349,162	153,480	191,790	694,432
2026	361,819	140,786	191,790	694,395
2027	374,934	127,631	191,790	694,355
2028	388,525	114,000	191,790	694,315
2029 – 2033	1,700,133	347,597	958,950	3,006,680
2034 – 2035	1,316,538	25,632	335,633	1,677,803
Total future minimum rentals	<u>\$ 4,829,027</u>	<u>\$ 1,074,856</u>	<u>\$ 2,253,533</u>	<u>\$ 8,157,416</u>

FIU-HCN leases equipment and building occupancy on a month-to-month basis. Total rental expense for the year ended June 30, 2023 was \$1.

(7) **Commitments and Contingencies:**

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 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. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that FIU-HCN is currently in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(8) Unrestricted Net Position:

FIU-HCN has designated certain components of current unrestricted net position for certain purposes. Unrestricted net position is classified as follows at June 30, 2023:

Designated	
Common area maintenance	\$ 1,145,420
Office of International Affairs	<u>626,717</u>
Total designated	<u>1,772,137</u>
Undesignated	
This component represents funds that have not been designated for any purpose by the Board of Directors and are readily available for expenditure, in accordance with the purpose and bylaws of FIU-HCN [see Note (1) (a)]	<u>3,630,725</u>
Total unrestricted net position	<u>\$ 5,402,862</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITORS' 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**

To the Board of Directors and Audit Committee of,
The Florida International University Health Care Network, 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 Florida International University Health Care Network, Inc. (FIU-HCN) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FIU-HCN's internal control over financial reporting (internal control) as a basis for designing the 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 FIU-HCN's internal control. Accordingly, we do not express an opinion on the effectiveness of FIU-HCN'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

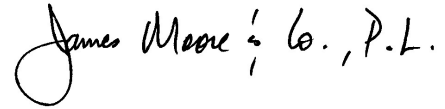
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FIU-HCN'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida
October 24, 2023