

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

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
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JUNE 30, 2024

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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 Health), a component unit of Florida International University as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise FIU Health'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 Health as of June 30, 2024, 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* (GAS), 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 Health 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 Health'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 Health'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 and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FIU Health'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 Health's ability to continue as a going concern for a reasonable period of time.

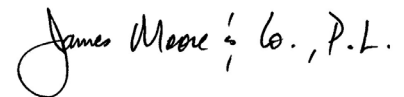
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 31, 2024, on our consideration of FIU Health'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 Health's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Gainesville, Florida
October 31, 2024

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

The Management's Discussion and Analysis (MD&A) report provides an overview of the financial position and activities of The Florida International University Health Care Network, Inc. (FIU Health or HCN) for the fiscal years ended June 30, 2024, and 2023, 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.

FINANCIAL HIGHLIGHTS

- Total net position as of June 30, 2024, was \$18.17 million.
- Executed an affiliation agreement with Baptist Health South Florida, Inc
- The change in net position increased by \$12.75 million.
- At year-end, current assets were at \$20.63 million.

BACKGROUND

FIU Health 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 Health Board of Directors during a special board meeting on April 12, 2023.

Fiscal year 2024 was a transformative year for FIU Health with the successful execution of an affiliation agreement effective November 28, 2023. This agreement provides additional revenue to FIU Health for clinical, research and academic mission support programs.

OVERVIEW OF FINANCIAL STATEMENTS

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

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024
(Continued)

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

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

	2024	2023
Current Assets		
Cash and Investments	\$ 15,947	\$ 5,584
Other Receivables	4,309	1,871
Other Current Assets	370	353
Total Current Assets	20,626	7,808
Non-Current Assets		
Lease Receivables, Net Long Term	4,155	4,505
Depreciable and Non Dep Capital Assets, Net	1,461	21
Total Non-Current Assets	5,616	4,526
Total Assets	\$ 26,242	\$ 12,334
Current Liabilities		
Accounts Payable, FIU	\$ 3,632	\$ 2,076
Other Current Liabilities	151	147
Total Current Liabilities	3,783	2,223
Deferred Inflows	4,288	4,687
Total Liabilities and Deferred Inflows	\$ 8,071	\$ 6,910
Net Position		
Net Investment in Capital Assets	\$ 1,461	\$ 21
Restricted Expendable	5,000	0
Unrestricted	11,710	5,043
Total Net Position	18,171	5,424
Total Liabilities and Net Position	\$ 26,242	\$ 12,334

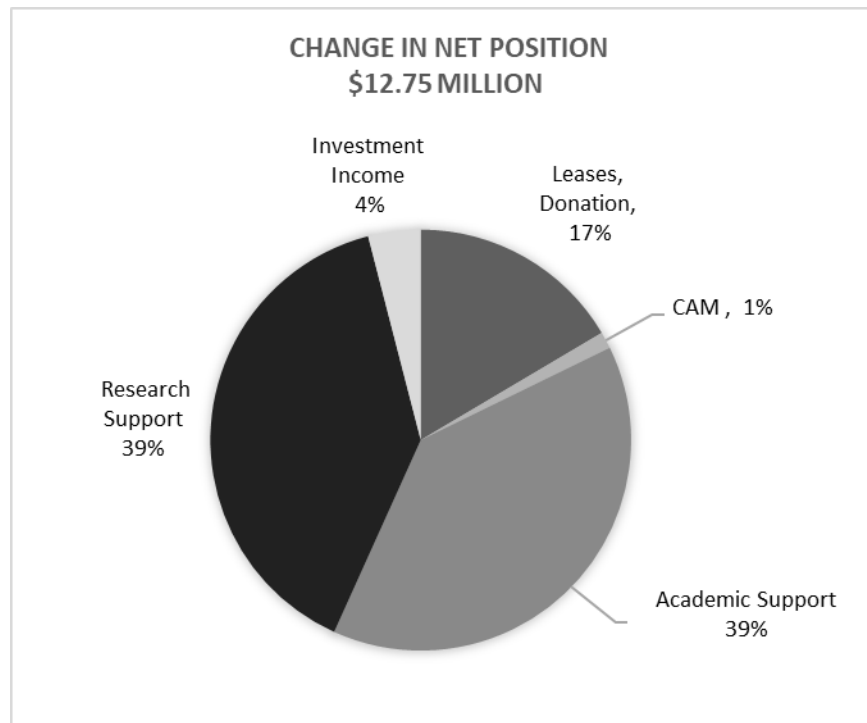
In fiscal year 2024 total assets increased by approximately \$13.91 million from June 30, 2023. This is driven by an increase in cash and investments from the affiliation agreement, an increase in receivables of \$2.16 million from clinical support, and an increase in capital assets from the donation of an office condominium with a market value of \$1.36 million.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024
(Continued)

Total liabilities increased by \$1.16 million over the prior fiscal year. This is related to the increase in current liabilities of \$1.56 million from the increase in payables due to Herbert Wertheim College of Medicine (HWCOC) for clinical operating expenses. This increase was offset by a decrease in non-current liabilities of \$0.40 million from the decrease in deferred lease revenues recognized during the fiscal year for the lease of the second floor of the Ambulatory Care Center (ACC) to Nicklaus Children's Hospital and in alignment with GASB 87 guidelines.

Total Net Position ended at \$18.17 million, an increase of approximately \$12.75 million over the prior fiscal year driven by the \$2.10 million from leases and real estate donation and \$10.00 million from academic and research support.

The following chart provides a visual representation of the change in net position and related proportion by source:



Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents FIU Health's revenue and expense activity, categorized as operating and non-operating. Operating revenues are comprised principally of management fee revenues, affiliate programmatic revenue for academic mission and research support, real estate donation, and other revenues deriving from leases, common area maintenance (CAM), and clinical support.

Revenues and expenses are recognized when earned or incurred.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024
(Continued)

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

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

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 16,599	\$ 4,747
Operating expenses	4,364	4,505
Operating Gain	12,235	241
Non-operating revenue and expenses – net (1)	513	109
Change in Net Position	12,748	350
Net Position , beginning of year	5,423	5,073
Net Position , end of year	<u>\$ 18,171</u>	<u>\$ 5,423</u>

(1) *In fiscal year 2024 non-operating revenue and expenses include the interest earnings from cash in bank and money market, and the net investment earnings/(loss) from SPIA (State Treasury Special Purpose Investment Account). The increase is from the investment of affiliate revenues.*

Operating Revenues

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

Operating Revenues (In Thousands)

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Management fees	\$ 2,198	\$ 2,420	\$ (222)
Affiliate Programmatic Support	10,000	-	10,000
Real Estate Donation	1,360	-	1,360
Other - Leases and CAM	884	830	54
Other - Reimbursement	2,157	98	2,059
Educational program - OIA	-	1,398	(1,398)
Total Operating Revenues	<u>\$ 16,599</u>	<u>\$ 4,746</u>	<u>\$ 11,853</u>

Operating revenues totaled \$16.60 million, an increase of \$11.85 million from the prior fiscal year. The increase is primarily attributed to new revenues from the affiliation agreement of \$10.00 million and reimbursement revenues for clinical support of \$2.16 million.

FIU Health Management Fee revenues are generated from managing HWCAM clinics where faculty physicians offer clinical services to the local community. Clinical services provided include Family Medicine, Internal Medicine, Gynecology, Dermatology, Clinical Oncology, Psychiatry and Behavioral Health. These services are provided at the Ambulatory Care Center (ACC) located on the Modesto A.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024
(Continued)

Maidique Campus and Jackson Memorial Hospital. FIU holds payor contracts and collects related net patient revenues. These revenues are then paid as management fees to FIU Health.

Revenues also derive from management fees associated with the Student Health Clinic under the Division of Academic & Student Affairs (DASA) service agreement and from providing credentialing services to the Center for Children Families (CCF). This revenue structure supports a range of healthcare services provided by faculty physicians, and the management fees reflect the operational and administrative support provided to these clinical and student health services.

Lease revenues are earned from agreements for rental of the Ambulatory Care Center (ACC) to Gastro Health and to 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. The increase is relative to the CPI rate increase. The proceeds from the CAM are set aside as reserves for future CAM expenses.

In fiscal year 2023 revenues included the HWCOT-OIA program which generated management fees, educational program fees, and other fees related to registration, change and cancellation fees. The HWCOT-OIA program moved to the University under HWCOT after the first quarter in fiscal year 2023.

Operating Expenses

FIU Health 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. FIU Health 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)

	2024	2023	Change
Contractual personnel services (1)	\$ 3,276	\$ 3,020	\$ 256
Contracted professional services	222	741	(519)
Common area maintenance expenses	45	55	(10)
Software licensing fees	320	415	(95)
Other operating	272	22	250
Depreciation	10	5	5
Supplies - medical	147	174	(27)
Utilities	37	40	(3)
Repairs and maintenance	15	4	11
Advertising and promotion	13	19	(6)
Supplies - other	7	10	(3)
Total Operating Expenses	\$ 4,364	\$ 4,505	\$ (141)

(1) Contractual personnel services in fiscal year 2024 include the cost paid to HWCOT for the support activities related to HWCOT faculty providers and other clinic support personnel. In fiscal year 2023 this cost was capped up to the amount of management fees received from HWCOT in alignment with the MOU between FIU Health and HWCOT during that year.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024
(Continued)

Fiscal year 2024 operating expenses totaled approximately \$4.36 million, a decrease from the previous fiscal year. The decrease is driven by lower contracted professional services due to the transition of the HWCOT-OIA operations out of FIU Health to HWCOT in the prior year’s first quarter. This decrease was offset by the increase in contractual personnel services.

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 and money market.

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

Non-Operating Revenues (Expenses) (In Thousands)

	2024	2023
Investment Income, net	\$ 513	\$ 109
Non-Operating Revenues (Expenses)	\$ 513	\$ 109

Investment earnings increased due to the investment of the cash received in November 2023 from the affiliation agreement.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

In fiscal year 2024-2025 the FIU Health operations will work with our clinical affiliation partner, to integrate the clinical operations. This will initially entail 2 phases: 1) the transition to the corporate tax ID of our affiliation partner where our Faculty Group Practice (FGP) would be credentialed under the affiliate contracts, and 2) the planned new hires/integration of new specialties which initially will include cardiology, neurology, and orthopedic services. As part of the overall clinical partnership, the clinic support will continue until such a transition occurs.

FIU will assume the sponsoring institution designation for the affiliation joint residency program in the first quarter of fiscal year 2025 (September 2024). The program will include resident programs in internal medicine, neurology, family medicine, orthopedics, interventional radiology, and general surgery through fiscal year 2024-2025 under the Graduate Medical Education program (GME).

Research support planning is in progress for the fiscal year 2025. Planning efforts for setting up the new South Miami clinic will be underway and will require renovating the office space that would allow another location for the faculty group practice providers to practice.

Management fees earned from the service agreement with the Division of Academic and Student Affairs (DASA) will continue. As part of this agreement, FIU Health provides specific administrative and support services to the Student Health Clinics in exchange for a flat fee. The DASA will also work with FIU Health to create a seamless referral process for managing any specialty care of the respective students.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024
(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.

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of FIU Health'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, 2024

ASSETS

Current assets

Cash	\$ 1,626,910
Due from Florida International University	2,118,840
Faculty group practice reimbursement receivable	2,157,381
Prepaid expenses and other current assets	52,894
Lease-related interest receivable	12,904
Current portion of lease receivable	337,261
Investments	14,320,411
Total current assets	20,626,601

Noncurrent assets

Lease receivable, less current portion	4,154,818
Nondepreciable capital assets	1,395,014
Depreciable capital assets, net	66,090
Total noncurrent assets	5,615,922

Total assets

\$ 26,242,523

LIABILITIES

Current liabilities

Accounts payable	\$ 97,641
Due to Florida International University	3,632,095
Unearned revenue	53,635
Total current liabilities	3,783,371

Total liabilities

\$ 3,783,371

DEFERRED INFLOW

Deferred inflow of resources - lease-related	\$ 4,287,666
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NET POSITION

Net position

Net investment in capital assets	\$ 1,461,104
Restricted expendable	5,000,000
Unrestricted (see note 8)	11,710,382

Total net position

\$ 18,171,486

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, 2024

Operating revenues	
Management fee revenue	\$ 2,197,721
Affiliate programmatic support	10,000,000
Lease-related revenue	884,006
Real estate donation	1,360,000
Faculty group practice reimbursement	2,157,381
Total operating revenues	16,599,108
 Operating expenses	
Contractual personnel services	3,276,427
Contracted professional consulting services	221,680
Common area maintenance expenses	44,932
Software licensing fees	319,845
Other operating	272,383
Depreciation	10,569
Supplies - medical	146,612
Utilities	36,775
Repairs and maintenance	15,595
Advertising and promotion	12,513
Supplies - other	7,222
Total operating expenses	4,364,553
 Operating income	 12,234,555
 Nonoperating income	
Investment income, net	513,055
 Change in net position	 12,747,610
 Net position, beginning of year	 5,423,876
 Net position, end of year	 \$ 18,171,486

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, 2024

Cash flows from operating activities	
Receipts from management fee revenue	\$ 1,922,494
Receipts from affiliate programmatic support	10,000,000
Receipts from lease-related revenue	817,914
Payments to suppliers for goods and services	<u>(2,797,919)</u>
Net cash and cash equivalents provided by operating activities	<u>9,942,489</u>
 Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(90,659)</u>
Net cash and cash equivalents used in noncapital financing activities	<u>(90,659)</u>
 Cash flows from investing activities	
Purchase of investments	(13,000,000)
Interest income received	<u>200,607</u>
Net cash and cash equivalents used in investing activities	<u>(12,799,393)</u>
 Net change in cash and cash equivalents	 <u>(2,947,563)</u>
 Cash and cash equivalents, beginning of year	 4,574,473
 Cash and cash equivalents, end of year	 <u><u>\$ 1,626,910</u></u>
 Reconciliation of operating income to net cash and cash equivalents provided by operating activities:	
Operating income	\$ 12,234,555
Real estate donation	(1,360,000)
Depreciation	10,569
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:	
Increase in faculty group practice reimbursement receivable	(2,157,381)
Decrease in lease receivable	336,948
Decrease in lease-related interest receivable	968
Increase in due from Florida Internal University	(258,542)
Increase in prepaids and other current assets	(25,561)
Decrease in deferred inflow of resources	(398,853)
Decrease in unearned revenue	(585)
Increase in due to Florida International University	1,555,624
Increase in accounts payable	<u>4,747</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 9,942,489</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, 2024

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

(a) **Reporting entity**—The Florida International University Health Care Network, Inc. (“FIU Health”) 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. FIU Health 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. FIU Health 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 (HWCOCM), pursuant to Florida Board of Governors Regulation 9.017. FIU Health is an affiliated organization and component unit of Florida International University (“FIU”) and is included by discrete presentation in FIU’s financial statements.

FIU Health was organized in the State of Florida on February 21, 2008, and on August 9, 2012, FIU Health 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 Health changed its name to The Florida International University Health Care Network, Inc.

(b) **Basis of presentation**—The financial statements of FIU Health 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 Health 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 Health’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 Health 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**—FIU Health 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

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

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.

(e) **Investments and fair value measurements**—Amounts reported as investments consist of funds invested in the JPMorgan U.S. Government Money Market Fund (JPMorgan money market) and the Special Purpose Investment Account (“SPIA”) within the Florida Treasury Investment Pool (“FTIP”). FTIP is a pool of investments whereby FIU Health owns a share of the pool, not the underlying securities.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, money market funds are recorded at amortized cost, which is generally equivalent to fair value, and are not categorized in the fair value hierarchy. SPIA funds 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 Health 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.

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

(h) **Operating revenue and expenses**—FIU Health’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 ACC, and the subleases to Nicklaus Children’s Hospital and Gastro Health in addition to affiliate programmatic revenue received from Baptist Health South Florida, Inc. (“Baptist”). 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) **Affiliate programmatic revenue**—Affiliate programmatic revenues are earned under the terms of the agreement with Baptist and consist of an annual base mission support contribution made up of a research and academic component of \$5 million each.

(j) **Faculty group practice reimbursement**—Under the terms of the agreement with Baptist, Baptist will reimburse FIU Health for the net operating losses of the Ambulatory Care Center (“ACC”) up to a maximum of \$4 million per year until the operations of the ACC have been transferred to Baptist.

THE FLORIDA INTERNATIONAL UNIVERSITY HEALTH CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

(k) **Income taxes**—FIU Health 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, 2024. Management is not aware of any activities that would jeopardize FIU Health tax exempt status. FIU Health 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.

(l) **Pronouncements issued**—The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. FIU Health has not currently determined what, if any, impact the implementation of the following will have on FIU Health’s financial statements.

GASB issued Statement No. 102, Certain Risk Disclosures, in December 2023. The objective of GASB 102 is to provide users of governmental financial statements with essential information about risks related to an entity’s vulnerabilities due to certain concentrations or constraints. The provisions in GASB 102 are effective for fiscal years beginning after June 15, 2024.

GASB issued Statement No. 103, Financial Reporting Model Improvements in April 2024. The objective of GASB 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity’s accountability. The provisions in GASB 103 are effective for fiscal years beginning after June 15, 2025.

(2) **Investments:**

Investments are comprised of funds invested in the JPMorgan money market and SPIA within the FTIP. These funds 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 Health reported investments in the JPMorgan money market fund at amortized cost of \$13,251,466 as of June 30, 2024, which is generally the equivalent of fair value. This is a money market fund seeking to provide current income consistent with liquidity and stability of principal by investing in a portfolio of debt securities issued or guaranteed by the U.S. government or related agencies. These investments include repurchase agreements fully collateralized by U.S. Treasury and government securities. The dollar-weighted average maturity (WAM) of the fund will be 60 days or less and the dollar-weighted average life to maturity (WAL) will be 120 days or less. The fund carried a credit rating of AAAM by Standard & Poor’s as of June 30 2024.

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(2) **Investments:** (Continued)

FIU Health reported investments in SPIA at fair value totaling \$1,068,945 at June 30, 2024, 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 3.23 years with a fair value factor of 0.9958 as of June 30 2024.

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 Health 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 Health's investment in the SPIA is measured on a recurring basis, which is valued based on FIU Health's share of the pool, using significant unobservable inputs (Level 3), as of June 30, 2024.

(3) **Baptist Agreement:**

Effective November 28, 2023, an agreement was executed by the FIU Board of Trustees, HWCOC, and FIU Health with Baptist Health South Florida, Inc. ("Baptist") to develop an academic medical center enterprise that will drive clinical, research and education growth for the benefit of the residents of South Florida. The agreement is effective through November 2033 with two automatic extensions of five years each.

For the year ended June 30, 2024, total revenues earned under the terms of the agreement were \$12,157,381, composed of \$5,000,000 in academic mission support, \$5,000,000 in research support, and \$2,157,381 in reimbursements for net operating losses related to the Ambulatory Care Center.

(4) **Capital Assets:**

A summary of capital assets is as follows:

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Nondepreciable capital assets	\$ -	\$ 1,395,014	\$ -	\$ 1,395,014
Medical equipment	550,638	55,645	-	606,283
Accumulated depreciation	(529,624)	(10,569)	-	(540,193)
Depreciable capital assets, net	<u>21,014</u>	<u>45,076</u>	<u>-</u>	<u>66,090</u>
Total capital assets, net	<u>\$ 21,014</u>	<u>\$ 1,440,090</u>	<u>\$ -</u>	<u>\$ 1,461,104</u>

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(5) **Related Party Transactions:**

As of June 30, 2024, \$3,632,095 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 2024, and totaled \$2,118,840.

(6) **Leases:**

The University and FIU Health 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, 2024, rent expense under this agreement amounted to \$1 per year.

Furthermore, certain space within this facility was subleased. For the year ended June 30, 2024, FIU Health recognized lease revenue of \$509,770, interest revenue of \$165,764, and common area maintenance income of \$208,472, for a total \$884,006 of lease-related revenue. 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
2025	\$ 337,261	\$ 153,480	\$ 208,472	\$ 699,213
2026	361,819	140,786	208,472	711,077
2027	374,934	127,631	208,472	711,037
2028	388,525	114,000	208,472	710,997
2029	402,608	99,875	208,472	710,955
2030 – 2034	2,242,824	268,908	1,042,360	3,554,092
2035	384,108	4,446	156,354	544,908
Total future minimum rentals	<u>\$ 4,492,079</u>	<u>\$ 909,126</u>	<u>\$ 2,241,074</u>	<u>\$ 7,642,279</u>

FIU Health leases building occupancy on a month-to-month basis. Total rental expense for the year ended June 30, 2024 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.

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(7) **Commitments and Contingencies:** (Continued)

Management believes that FIU Health 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.

(8) **Unrestricted Net Position:**

FIU Health has designated certain components of current unrestricted net position for certain purposes. Unrestricted net position is classified as follows at June 30, 2024:

Designated	
Common area maintenance	\$ 1,308,960
Total designated	1,308,960
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 Health [see Note (1) (a)]	10,401,422
Total unrestricted net position	\$ 11,710,382

(9) **Restricted Net Position:**

At June 30, 2024, restricted net position of \$5,000,000 consists of unspent funds related to the research component of the Baptist agreement. These funds are subject to external restrictions on how they are able to spent and are included within restricted net position until they have been spent in accordance with their purpose restrictions.

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 Health) as of and for the year ended June 30, 2024, 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 Health'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 Health's internal control. Accordingly, we do not express an opinion on the effectiveness of FIU Health'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.

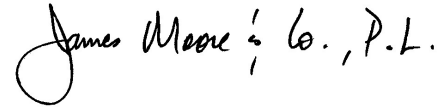
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Health’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 31, 2024