

**UNIVERSITY OF SOUTH FLORIDA HEALTH SERVICES
SUPPORT ORGANIZATION, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF SOUTH FLORIDA)**

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



www.warrenaverett.com

The report accompanying this deliverable was issued
by Warren Averett, LLC.

**UNIVERSITY OF SOUTH FLORIDA HEALTH SERVICES SUPPORT ORGANIZATION, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF SOUTH FLORIDA)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
University of South Florida Health Services Support
Organization, Inc. (A Component Unit of the
University of South Florida)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of University of South Florida Health Services Support Organization, Inc. (a component unit of the University of South Florida), a nonprofit organization (hereinafter referred to as the "Organization"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Audits of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Audits 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 generally accepted auditing

standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

Management has omitted the Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Warren Averett, LLC

Tampa, Florida
October 2, 2024

**UNIVERSITY OF SOUTH FLORIDA HEALTH SERVICES SUPPORT ORGANIZATION, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF SOUTH FLORIDA)**

STATEMENTS OF NET POSITION

JUNE 30, 2024 AND 2023

	ASSETS	
	2024	2023
CURRENT ASSETS		
Investment in Tampa Bay Health Alliance, LLC	\$ 77,088	\$ 153,174
TOTAL ASSETS	<u>\$ 77,088</u>	<u>\$ 153,174</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Note payable - University Medical Service Association, Inc.	\$ 366,687	\$ 352,587
NET POSITION		
Unrestricted	<u>(289,599)</u>	<u>(199,413)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 77,088</u>	<u>\$ 153,174</u>

See notes to the financial statements.

**UNIVERSITY OF SOUTH FLORIDA HEALTH SERVICES SUPPORT ORGANIZATION, INC.
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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES	<u>14,100</u>	<u>13,000</u>
LOSS FROM OPERATIONS	(14,100)	(13,000)
NON-OPERATING REVENUES		
Equity in loss of affiliate	<u>(76,086)</u>	<u>(268,420)</u>
CHANGE IN NET POSITION	(90,186)	(281,420)
NET POSITION AT BEGINNING OF YEAR	<u>(199,413)</u>	<u>82,007</u>
NET POSITION AT END OF YEAR	<u>\$ (289,599)</u>	<u>\$ (199,413)</u>

See notes to the financial statements.

**UNIVERSITY OF SOUTH FLORIDA HEALTH SERVICES SUPPORT ORGANIZATION, INC.
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**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment of professional fees	\$ (14,100)	\$ (13,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from Tampa Bay Health Alliance, LLC	-	100,000
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from note payable to affiliate	14,100	13,000
Payment on note payable to affiliate	-	(100,000)
Net cash provided by (used in) non-capital financing activities	14,100	(87,000)
CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -

See notes to the financial statements.

**UNIVERSITY OF SOUTH FLORIDA HEALTH SERVICES SUPPORT ORGANIZATION, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF SOUTH FLORIDA)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

1. ORGANIZATION AND SCOPE OF STATEMENTS

University of South Florida Health Services Support Organization, Inc. (“HSSO” or the “Organization”) is a Florida not-for-profit corporation that is a direct support organization of the University of South Florida (the “University”) and is related to the University of South Florida Morsani College of Medicine through common control.

HSSO was established in 1996 for the purpose of creating and operating a clinically integrated network comprised of selected network participants. The Organization is focused on activities associated with the provision of health care services within the geographic area comprised of Hillsborough, Manatee, Pasco and Pinellas Counties. HSSO, along with other entities, has entered into Participation Agreements with Tampa Bay Health Alliance, LLC (“TBHA”), whereby TBHA is granted certain authority to negotiate and enter into certain payor contracts on behalf of such health care providers. Prior to its investment in TBHA, HSSO had no operations.

Effective July 1, 2018, the Organization is controlled by the University due to changes in the Florida Statutes which require prospective approval of all new direct support organization board members by the related university board of trustees other than those members or members appointed by the Trustee Chair or President. Accordingly, effective July 1, 2018, the Organization is a governmental entity and is required to present its financial statements under accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board (“GASB”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization’s financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by the GASB. The GASB has issued Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the Organization’s assets, liabilities, net position, revenues, expenses, changes in net position and cash flows. In addition, these statements require the Organization to present a Management’s Discussion and Analysis (“MD&A”). The MD&A is considered to be required supplemental information. The Organization believes that, given the Organization’s limited operations, MD&A would not provide meaningful information to the users of the financial statements. Accordingly, MD&A has been excluded from this report.

Basis of Accounting

For financial reporting purposes, the Organization is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating revenues and operating expenses. All other activities are reported as non-operating activities.

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JUNE 30, 2024 AND 2023

The Organization's financial statements are based on accounting principles applicable to governmental units as established by the GASB and the provisions of the American Institute of Certified Public Accountants *Audit and Accounting Guide, Health Care Entities*, to the extent that they do not conflict with the GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

Net position and changes therein are classified as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The Organization currently does not have any net position in this category.
- Restricted – This component of net position includes assets subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Organization currently does not have any net position in this category.
- Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Revenues are reported as increases in unrestricted net position unless the use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net position.

Investment in Tampa Bay Health Alliance, LLC

Tampa Bay Health Alliance, LLC (“TBHA”) is involved in the process of obtaining contracts on behalf of the health care providers that hold a stake in TBHA, which may not be obtainable without a combined effort. The Organization accounts for this investment under the equity method.

Deferred Outflows and Inflows of Resources

The GASB provides that certain amounts reported on the statement of net position of a governmental entity be reported separately from assets and liabilities and be reported as deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position

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that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or a reduction of expense) until that time. Currently, the Organization does not have any deferred outflows or inflows.

Income Taxes

HSSO has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code ("IRC") of 1986 and is exempt from federal and state taxes on related income pursuant to the IRC and Chapter 1004.29 of the Florida Statutes, respectively.

The Organization periodically assesses whether it has incurred income tax expense or related interest or penalties, which are recognized in income tax expense in accordance with accounting for uncertain tax positions. The Organization did not identify any uncertain tax positions as of June 30, 2024 or 2023.

3. INVESTMENT IN TAMPA BAY HEALTH ALLIANCE, LLC

As of June 30, 2024 and 2023, the Organization had an ownership interest of approximately 75% in TBHA, which is accounted for under the equity method. During the years ended June 30, 2024 and 2023, management reviewed the TBHA investment to determine if there were any indicators that would imply that the investment was impaired. Based on management's review, no impairment was recorded during 2024 or 2023.

For the years ended June 30, 2024 and 2023, the Organization recorded equity in (loss) of affiliate of \$(76,086) and \$(268,420), respectively.

Summarized financial information for TBHA consists of the following:

	<u>2024</u>	<u>2023</u>
Total assets	\$ 150,605	\$ 252,052
Total liabilities and net position	(150,605)	(252,052)
Revenue	319,411	312,203
Operating expenses	<u>(420,859)</u>	<u>(670,096)</u>
Net loss	<u>\$ (101,448)</u>	<u>\$ (357,893)</u>

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

4. NOTE PAYABLE WITH AFFILIATE

On January 30, 2017, HSSO entered into a promissory note with University Medical Service Association, Inc. ("UMSA") for the purpose of making the investment in TBHA. UMSA is a direct support organization of the University of South Florida and is an affiliate of HSSO, given this common control. According to the terms of the note, a two-year repayment period commences on a future date, which is initiated upon the receipt of written notice from UMSA. As of June 30, 2024, there has been no correspondence with UMSA regarding the initial due date; however, \$100,000 in TBHA capital distributions were remitted to UMSA during 2023 to reduce the balanced owed.

The borrowing rate, as defined in the agreement, is equal to the Wall Street Journal prime rate at the date of the note agreement (3.75%). Further, the rate will be adjusted annually on December 31st using the same financial instrument to determine the rate. Interest on the note is set to begin on the beginning of the repayment period, which is a two-year period commencing upon notice from UMSA. As of June 30, 2024, no correspondence has been provided to the Organization, and, as such, no interest has accrued. As of June 30, 2024 and 2023, the balance owed was \$366,687 and \$352,587, respectively.

The above amounts and terms are not necessarily indicative of the amounts and terms that would have been entered into with independent parties.

5. SUBSEQUENT EVENTS

The Organization evaluated all events and transactions that occurred after June 30, 2024 through October 2, 2024, the date the accompanying financial statements were available to be issued.

**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
University of South Florida Health Services Support
Organization, Inc. (A Component Unit of the
University of South Florida)

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University of South Florida Health Services Support Organization, Inc. (a component unit of the University of South Florida), the "Organization," as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 2, 2024.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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



Tampa, Florida
October 2, 2024