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# Financial Statements

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***UCF Academic Health, Inc.***

*Years Ended June 30, 2021 and 2020*

**UCF ACADEMIC HEALTH, INC.**

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***Years Ended June 30, 2021 and 2020***

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
UCF Academic Health, Inc.:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of UCF Academic Health, Inc. (UCFAH) (a component unit of the University of Central Florida) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise UCFAH's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UCFAH's preparation and fair presentation of the financial statements 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 UCFAH's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCF Academic Health, Inc. as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information:* Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such 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 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 August 25, 2021 on our consideration of UCFAH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCFAH's internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida  
August 25, 2021

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

## UCF ACADEMIC HEALTH, INC.

### *Management's Discussion and Analysis*

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#### INTRODUCTION

This section of UCF Academic Health, Inc.'s (UCFAH) annual report provides an overview of its financial results for the years ended June 30, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes. The financial statements, footnotes, and this discussion and analysis are the responsibility of management.

The primary purpose of UCFAH is the development of clinical initiatives and affiliated partnerships that will serve the education, research and clinical missions and objectives of the UCF College of Medicine. Currently, UCFAH is engaged in two main activities. One is a joint venture with HCA (Central Florida Health Services, LLC) which includes shared governance and 20% equity ownership in the development and operation of UCF Lake Nona Medical Center (UCF LNMC). UCF LNMC has been developed to serve as a teaching hospital.

The second major activity of UCFAH is the development and oversight of lease arrangements with private partners in the UCF Lake Nona Cancer Center (UCF LNCC). This includes lease administration and collection of rental income for UCFAH's designated space in the UCF LNCC. The UCF LNCC, which is owned by the UCF Real Estate Foundation and has a total of 173,476 sq. ft., is leased to the UCF Board of Trustees. Approximately 80,000 sq. ft. of the building are leased by the UCF Board of Trustees to UCFAH for sub-sublease to private partner tenants. Rent collected under the UCFAH sub-subleases is dedicated for and provided to the UCF Real Estate Foundation to support the quarterly mortgage payments due for the facility. As of June 30, 2021, UCFAH has one short-term tenant and four long-term tenants in the UCF LNCC.

#### FINANCIAL ANALYSIS

The following is a summary of the financial performance of UCFAH, segregated by the Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position and Statements of Cash Flows. The years ended June 30, 2021 represents the second year of operational financial activity for UCFAH.

#### STATEMENTS OF NET POSITION - ASSETS, LIABILITIES AND NET POSITION

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 584,963	\$ 298,764	\$ 286,199	96%
Accounts receivable	74,582	-	74,582	100%
TOTAL CURRENT ASSETS	659,545	298,764	360,781	121%
EQUITY INVESTMENT	15,137,000	15,137,000	-	0%
TOTAL ASSETS	<u>\$ 15,796,545</u>	<u>\$ 15,435,764</u>	<u>\$ 360,781</u>	<u>2%</u>

## UCF ACADEMIC HEALTH, INC.

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

Total assets were \$15.8 million at the end of Fiscal Year 2021. \$15.1 million relates to the equity investment of UCFAH in the Central Florida Health Services (CFHS) joint venture. Current Assets of \$660 thousand is from lease revenue and related receivables for the current tenant/partners at the UCF LNCC.

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
<b>LIABILITIES</b>				
Due to affiliates	\$ 499,745	\$ 265,027	\$ 234,718	89%
Unearned revenue	108,841	-	108,841	100%
Security deposit liability	25,862	25,862	-	0%
Accrued expenses	18,097	7,875	10,222	130%
Accounts payable	7,000	-	7,000	100%
<b>TOTAL LIABILITIES</b>	<b>\$ 659,545</b>	<b>\$ 298,764</b>	<b>\$ 360,781</b>	<b>121%</b>

Total liabilities were \$660 thousand at the end of Fiscal Year 2021. This is the same amount as the cash balance, showing that all of the cash in UCFAH is fully obligated to future rent payments and building operating expenses. Total liabilities are made up of a \$26 thousand security deposit liability to a tenant at the UCF LNCC, accrued expenses of \$18 thousand, \$7 thousand in accounts payable, \$109 in unearned revenue and the remaining \$500 thousand as due to affiliates for the rent payment on the UCF LNCC building as well as for a portion of overall building operating expenses. Total liabilities increased by \$361 thousand over Fiscal Year 2020 as rent revenue has increased and more funds were available to cover UCFAH's obligations.

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
<b>NET POSITION:</b>				
Unrestricted	\$ 15,137,000	\$ 15,137,000	\$ -	0%
<b>TOTAL NET POSITION</b>	<b>\$ 15,137,000</b>	<b>\$ 15,137,000</b>	<b>\$ -</b>	<b>0%</b>

Total net position of the UCFAH at the end of Fiscal Year 2021 and 2020 is \$15.1 million, the same amount as the equity investment in the Asset section of the statements. Although labeled as unrestricted, the amount is designated in its use to the equity investment.

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

	<i>Year Ended</i>		<i>Increase/</i>	<i>Percent</i>
	<i>June 30,</i>		<i>(Decrease)</i>	<i>Change</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
TOTAL OPERATING REVENUE	\$ 1,039,627	\$ 281,266	\$ 758,361	270%
TOTAL OPERATING EXPENSES	1,039,627	281,266	758,361	270%
OPERATING INCOME	-	-	-	0%
CHANGE IN NET POSITION	-	-	-	0%
NET POSITION, BEGINNING OF YEAR	15,137,000	15,137,000	-	0%
NET POSITION, END OF YEAR	<b>\$ 15,137,000</b>	<b>\$ 15,137,000</b>	<b>\$ -</b>	<b>0%</b>

## UCF ACADEMIC HEALTH, INC.

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

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Total operating revenue was \$1.04 million in Fiscal Year 2021 which reflects rent income collected and receivables due from tenant/partners at the UCF LNCC. This is an increase of \$758 thousand over Fiscal Year 2020 resulting from the addition of four new long-term tenants and one short-term tenant who began paying rent during Fiscal Year 2021.

Total operating expenses were \$1.04 million in Fiscal Year 2021. Operating expenses include \$997 thousand for rent expense and CAM to cover building maintenance and operations related to the UCF LNCC building. The remaining \$40 thousand includes sales tax expense, the cost of financial software, the financial audit and insurance.

Operating income is reflected as \$0 for Fiscal Year 2021 and 2020 since all remaining income after direct expenses is encumbered for future rent payments and CAM payable to the UCF Real Estate Foundation.

### STATEMENTS OF CASH FLOWS

	<i>Year Ended June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
NET CASH PROVIDED				
BY OPERATING ACTIVITIES	\$ 286,199	\$ 298,764	\$ (12,565)	-4%
NET INCREASE IN CASH	286,199	298,764	(12,565)	-4%
AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS,	298,764	-	298,764	0%
BEGINNING OF YEAR				
CASH AND CASH EQUIVALENTS,	\$ 584,963	\$ 298,764	\$ 286,199	96%
END OF YEAR				

Net cash from operating activities was \$286 thousand in Fiscal Year 2021, which consisted of \$1.04 million in revenue minus actual payments to suppliers of \$679 thousand. An increase in accrued expenses of \$235 thousand to affiliates, \$109 thousand in unearned revenue and \$17 thousand of accrued expense to suppliers brings the net operating income to \$0.

## **Financial Statements**

UCF ACADEMIC HEALTH, INC.

*Statements of Net Position*

	<i>June 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 584,963	\$ 298,764
Accounts receivable	74,582	-
TOTAL CURRENT ASSETS	<u>659,545</u>	298,764
<b>EQUITY INVESTMENT</b>	<b>15,137,000</b>	15,137,000
TOTAL ASSETS	<u>\$ 15,796,545</u>	<u>\$ 15,435,764</u>
<b>LIABILITIES</b>		
Due to affiliates	\$ 499,745	\$ 265,027
Unearned revenue	108,841	-
Security deposit liability	25,862	25,862
Accrued expenses	18,097	7,875
Accounts payable	7,000	-
TOTAL LIABILITIES	<u>659,545</u>	298,764
COMMITMENTS AND CONTINGENCIES - Note G		
NET POSITION:		
Unrestricted	<u>15,137,000</u>	15,137,000
TOTAL NET ASSETS	<u>15,137,000</u>	15,137,000
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,796,545</u>	<u>\$ 15,435,764</u>

UCF ACADEMIC HEALTH, INC.

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

	<i>Year Ended</i>	
	<i>June 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>OPERATING REVENUE:</b>		
Commercial lease revenue	\$ 1,039,627	\$ 281,266
TOTAL OPERATING REVENUE	<u>1,039,627</u>	<u>281,266</u>
<b>OPERATING EXPENSES:</b>		
Facility	997,275	265,027
Information technology	7,000	7,000
Professional services	16,375	9,075
Supplies	-	30
Other	18,977	134
TOTAL OPERATING EXPENSES	<u>1,039,627</u>	<u>281,266</u>
OPERATING INCOME	-	-
CHANGE IN NET POSITION	-	-
NET POSITION, BEGINNING OF YEAR	<u>15,137,000</u>	<u>15,137,000</u>
NET POSITION, END OF YEAR	<u>\$ 15,137,000</u>	<u>\$ 15,137,000</u>

UCF ACADEMIC HEALTH, INC.

*Statements of Cash Flows*

	<i>Year Ended</i>	
	<i>June 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from rentals	\$ 1,073,886	\$ 307,128
Payments to suppliers and for operating expenses	(25,130)	(8,364)
Payments to affiliates	(762,557)	-
	<hr/>	
NET CASH PROVIDED BY OPERATING ACTIVITIES	286,199	298,764
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NET INCREASE IN CASH AND CASH EQUIVALENTS	286,199	298,764
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CASH AND CASH EQUIVALENTS, beginning of year	298,764	-
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CASH AND CASH EQUIVALENTS, end of year	\$ 584,963	\$ 298,764
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<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ -	\$ -
Adjustments to reconcile operating income to cash provided by operating activities:		
Increase (decrease) in cash due to changes in:		
Accounts receivable	(74,582)	-
Due to affiliates	234,718	265,027
Unearned revenue	108,841	-
Security deposit liability	-	25,862
Accrued expenses	10,222	7,875
Accounts payable	7,000	-
	<hr/>	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 286,199	\$ 298,764
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## UCF ACADEMIC HEALTH, INC.

### *Notes to Financial Statements*

#### *Years Ended June 30, 2021 and 2020*

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#### NOTE A--REPORTING ENTITY

UCF Academic Health, Inc. (UCFAH), is a not-for-profit Florida Corporation incorporated June 2016. UCFAH became operational in 2016 including pursuing hospital partnership opportunities, development of Central Florida Health Services (CFHS) and planning for the hospital and medical center; however, it did not have any operating revenue, expenses, or financial deposits until 2019. UCFAH is a University Direct-Support Organization within the definition of Florida Statutes Section 1004.28. UCFAH is organized and operated for the promotion and support of medical education, research, and patient care through the planning and development of clinical initiatives and affiliated partnerships that will serve the education, research and clinical mission and objectives of the University of Central Florida (UCF or the University) College of Medicine.

UCFAH is also organized and operated to receive, hold, invest, and administer property and to make expenditures to or for the benefit of UCF. Furthermore, the corporation is a vehicle UCF and its College of Medicine can use to participate in clinical initiatives in a way that minimizes risk to UCF.

UCFAH entered into an agreement with Hospital Corporation of America (HCA) to create CFHS, which has approximate ownership interests of 20% by UCFAH and 80% by HCA. UCFAH contributed assets consisting of a 25.2-acre land lease, 11-acre land lease option, lien release, transportation impact fee, and other various assets in exchange for equity in CFHS. UCF Lake Nona Medical Center began operations in March 2021.

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

*Basis of Accounting and Financial Reporting:* The financial statements of UCFAH are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

In accordance with U.S. GAAP, UCFAH qualifies for treatment as a component unit of the UCF; therefore, UCFAH's financial statements are included in the University's financial statements.

For financial reporting purposes, UCFAH is considered a special-purpose government organization engaged only in business-type activities. Accordingly, UCFAH's 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.

Changes in the net position of UCFAH as a result of support, revenue, expenses, gains, and losses are classified based on the existence of any funding restrictions. Accordingly, the net position of UCFAH and changes therein are classified and reported as follows:

## UCF ACADEMIC HEALTH, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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- *Unrestricted:* Net position that is not subject to funding restrictions. The unrestricted net position may be designated for specific purposes by action of the Board of Directors.
- *Temporarily Restricted:* Net position whose use by UCFAH is subject to donor-imposed stipulations that can be fulfilled by actions of UCFAH pursuant to those stipulations or that expire by the passage of time. There were none of these donations during the years ended June 30, 2021 and 2020.

These financial statements are entirely those of UCFAH alone and, accordingly, are not intended to present the financial position or the results of operations of the University.

*Cash and Cash Equivalents:* UCFAH considers all cash and related short-term investments with original maturities of three months or less to be cash equivalents.

*Equity Investment:* The equity method is utilized for investments which UCFAH has significant influence. Under the equity method, the investment is recorded at historical cost and increased or decreased by the investor's share of profit or loss (as determined through contractual agreements) and when additional contributions or distributions are made. UCFAH's share of profit or losses is reported as revenue or expense in the accompanying statements of revenue, expenses, and changes in net position.

*Operating Revenue and Expenses:* UCFAH's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare and education services and advancing resources to healthcare professionals. Other sources of revenue, expenses, gains, and losses are reported as nonoperating.

*Income Taxes:* UCFAH is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements and there were no uncertain tax positions as of June 30, 2021 and 2020.

#### NOTE C--CASH AND CASH EQUIVALENTS

*Custodial Credit Risk:* At June 30, 2021 and 2020, funds of approximately \$335,000 and \$300,000 were deposited at a banking institution that is insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. At times, UCFAH has deposits in excess of these insurance limits. UCFAH is exposed to loss of uninsured amounts in the event of non-performance by the banking institution; however, management does not anticipate any such losses.

UCF ACADEMIC HEALTH, INC.

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2021 and 2020*

NOTE D--LEASES

UCFAH leases a portion of a medical research building (UCF Lake Nona Cancer Center) from the UCF Board of Trustees. UCFAH subleases the premises to private tenants who conduct clinical care and research activities within the premises. Each sublease has varying terms. UCFAH began paying lease expense during 2021. Base rent is determined by the amount received by UCFAH from its sublease tenants. Rent expense and an accrued liability was recognized as of and for the years ended June 30, 2021 and 2020. Future minimum lease payments for UCFAH as of June 30, 2021 are not yet determinable. Rental income under these sublease agreements totaled approximately \$1,040,000 and \$281,000 for the years ended June 30, 2021 and 2020, respectively. Future minimum lease commitments, representing future rental revenues, to UCFAH for all non-cancellable operating leases are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 1,860,164
2023	1,917,555
2024	1,937,120
2025	1,977,045
2026	2,064,367
2027-2030	9,009,508
	<u>\$ 18,765,759</u>

NOTE E--EQUITY INVESTMENT

UCFAH entered into an agreement with HCA to form CFHS for the purpose of constructing and operating a new hospital and medical center facility. The approximate ownership interests of CFHS are 80% by HCA and 20% by UCFAH. The fair value of total contributions by UCFAH was \$52,740,112 of assets for the approximate 20% ownership. This included a 25.2-acre land lease, trade name, 11-acre land lease option, lien release, and transportation impact fee. The contributed assets were recognized at the carrying value at the time of contribution, which is in accordance with GASB standards. The carrying amount and fair value of the contributed assets at the time of contribution were:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Difference</u>
Contributed assets	\$ 15,137,000	\$ 52,740,112	\$ (37,603,112)

## UCF ACADEMIC HEALTH, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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The operating agreement for CFHS states that the net profits and losses of CFHS will be allocated based on members sharing percentages and will be determined based on audited financial statements that are to be prepared and distributed to members within 120 days after CFHS's year end, which is December 31. HCA has confirmed that pre-opening losses for CFHS are to be considered HCA contributions. Any losses occurring from CFHS's opening day of March 1, 2021 through June 30, 2021 have been allocated based on CFHS ownership interests and UCFAH's portion has been funded through its preferred equity reserves which are derived from UCFAH's initial contribution. As such, there is no change in UCFAH's equity investment in CFHS as of and during the year ended June 30, 2021. UCFAH's equity investment in CFHS was \$15,137,000 as of June 30, 2021 and 2020.

#### NOTE F--RELATED PARTY TRANSACTIONS

As indicated in Note D, UCFAH began making rent payments to the UCF Board of Trustees during 2021. Rent payments are to include all UCFAH sublease income received annually up to \$2,000,000. UCFAH also collects common area maintenance (CAM) payments from its sublease tenants which is included in commercial lease revenue in the statements of revenue, expenses, and changes in net position. All CAM payments are due to the UCF Board of Trustees.

As of June 30, 2021 and 2020, \$499,745 and \$265,027, respectively, was due to the UCF Board of Trustees: \$499,745 and \$206,664, respectively, related to sublease income and \$58,363 related to CAM payments received as of June 30, 2020. There were no amounts related to CAM payments owed as of June 30, 2021.

#### NOTE G--COMMITMENTS AND CONTINGENCIES

*Liability Insurance:* UCFAH is exposed to various risks of loss. Commercial insurance is in place for general liability and for claims against directors and officers.

#### NOTE H--NATIONAL PANDEMIC

In March 2020, the outbreak of the coronavirus 2019 (COVID-19) was declared a public health emergency (PHE). The COVID-19, PHE has severely restricted economic activity and resulted in volatility in financial markets. The healthcare industry has been impacted due to a general decrease in non-emergent patient volumes, cancellations, and delays of elective medical procedures, as well as COVID-19 related expenses. The Company continues to monitor this volatility and the ultimate outcome of the pandemic on the Company is unknown.

UCF ACADEMIC HEALTH, INC.

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2021 and 2020*

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NOTE I--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2021 financial statements except as discussed in Note H.

## **Other Information**

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
UCF Academic Health, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of UCF Academic Health, Inc. (UCFAH), which comprise the statement of net position as of June 30, 2021, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2021.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered UCFAH'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 UCFAH's internal control. Accordingly, we do not express an opinion on the effectiveness of UCFAH'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 UCFAH'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting 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 UCFAH'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 UCFAH's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCFAH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PYA, P.C.

Tampa, Florida  
August 25, 2021