

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

**Basic Financial Statements
and Required Supplementary Information**

**June 30, 2022 and 2021
(With Independent Auditors' Report Thereon)**

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

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**Independent Auditors’ Report on Basic Financial Statements
and Required Supplementary Information**

The Board of Directors
USF Health Professions Conferencing Corporation:

Opinion

We have audited the accompanying financial statements of USF Health Professions Conferencing Corporation (“HPCC”), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USF Health Professions Conferencing Corporation as of June 30, 2022 and 2021, and the respective changes in its net position and its 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 audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USF Health Professions Conferencing Corporation 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, HPCC changed its method of accounting for leases as a result of the adoption of Governmental Accounting Standards Board Statement No. 87, effective July 1, 2021 with retroactive application to prior periods presented on a comparative basis. Our opinion is not modified with respect to this matter.

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 HPCC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 *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 GAAS 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 HPCC'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 HPCC'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 on pages 4 through 12 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the supplemental schedule of functional expenses but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of HPCC'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 USF Health Professions Conferencing Corporation'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 USF Health Professions Conferencing Corporation's internal control over financial reporting and compliance.

MAYER HOFFMAN MCCANN P.C.

October 20, 2022
St. Petersburg, Florida

USF HEALTH PROFESSIONS CONFERENCING CORPORATION MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The management’s discussion and analysis (“MD&A”) provides a financial performance review that is designed to focus on the financial activities, resulting changes, and currently known facts of USF Health Professions Conferencing Corporation (the “Organization”) for the fiscal years ended June 30, 2022 and 2021, along with comparative financial information for the fiscal year ended June 30, 2020. The MD&A should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (“GASB”) Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of the Organization’s management.

USF Health Professions Conferencing Corporation (the “Organization”), is a Florida not-for-profit corporation. The Organization is a direct support organization (“DSO”) of the University of South Florida (the “University”)

The mission of the Organization is to support the University missions of academic excellence, top-impact research and beneficial community service, consistent with the goals of the University of South Florida and its Board of Trustees.

The Organization strives to achieve that support by creating and providing experiential learning that improves clinical skills and patient care in our community and around the globe with hands on training at its Center for Advanced Medical Learning and Simulation (“CAMLS”) as well as accredited didactic training online and at venues throughout the country.

Overview of Financial Statements

Pursuant to GASB Statement No. 35, the Organization’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 reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Organization, using the accrual basis of accounting, and presents the financial position of the Organization at the end of the fiscal year. The statement as a whole provides information about the adequacy of resources to meet current and future operating and capital needs. Net position is the residual of all other elements presented in the Statement of Net Position and is one indicator of the current financial condition of the Organization.

Statement of Revenues, Expenses, and Changes in Net Position presents the Organization’s revenue and expense activity, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred during the fiscal year, regardless of when cash is received or paid. Changes in net position are an indication of the change in the Organization’s overall financial condition.

Statement of Cash Flows provides information in the form of cash inflows and outflows summarized by operating, capital and related financing activities, and investing activities. This statement will assist in evaluating the Organization’s ability to generate net cash flows, its ability to meet its financial obligations as they come due, and the need for external financing.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Overview of Financial Statements - Continued

The novel coronavirus ("COVID-19") spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and the Organization in March 2020. Those impacts continued to affect external clientele at the Center for Advanced Medical Learning and Simulation ("CAMLS") and significantly impacted the years ending June 30, 2020, 2021 and 2022 results despite the continuation of online programming and resumption of USF student and resident programming at CAMLS in fiscal year 2021. The CAMLS team and facility welcomed learners back and successfully demonstrated its safety protocols to returning clients during this difficult time.

CAMLS and the Office of Continuing Professional Development also pivoted their program offerings to provide more online and remote training opportunities with live streaming, virtual reality and bringing the training directly to client locations. Although the Organization anticipated continued challenges in fiscal year 2022 due to new variants of COVID-19 constraining air travel and face-to-face meetings, the work begun in 2020 to preserve cash and proactively work with clients to reschedule deferred programming positioned the Organization to be fully operational and meet the changing needs of clients when COVID-19 restrictions were lifted in January 2022.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Condensed Statements of Net Position

The following summarizes the Organization’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current assets	\$ 2,966,260	2,993,149	5,455,919
Capital and right-of-use assets	14,617,230	15,472,618	16,306,539
Other noncurrent assets	<u>152,168</u>	<u>283,758</u>	<u>459,597</u>
Total assets	17,735,658	18,749,525	22,222,055
DEFERRED OUTFLOWS OF RESOURCES			
Bond Prepayment Premium	98,816	119,815	-
LIABILITIES			
Current	3,736,115	3,361,622	3,851,644
Noncurrent	<u>10,394,634</u>	<u>11,449,585</u>	<u>12,678,433</u>
Total liabilities	14,130,749	14,811,207	16,530,077
DEFERRED INFLOWS OF RESOURCES			
Deferred grants	350,333	1,125,932	1,515,296
Deferred leases	<u>371,403</u>	<u>452,947</u>	<u>613,750</u>
Total deferred inflow of resources	721,736	1,578,879	2,129,046
NET POSITION			
Net investment in capital and right-of-use assets	3,150,765	2,775,914	2,467,780
Unrestricted	<u>(168,776)</u>	<u>(296,660)</u>	<u>1,095,152</u>
Total net position	<u>\$ 2,981,989</u>	<u>2,479,254</u>	<u>3,562,932</u>

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Condensed Statements of Net Position - Continued

Assets

As of June 30, 2022 and 2021 the Organization's total assets were \$17.7 million and \$18.7 million, respectively, resulting in a decrease of \$1 million (-5%) during fiscal year 2022 and a decrease of \$3.5 million (-16%) during fiscal year 2021 and is the result of cash used for liabilities due to limited net cash generated from operations as well as depreciation and amortization of capital and right-of-use assets.

Current assets include those that may be used to support current operations, such as cash and cash equivalents, receivables and inventories. Capital and right-of-use assets include purchased and leased buildings and equipment, net of depreciation and amortization. Other non-current assets consist of security deposits and non-current portion of lease receivables. As of June 30, 2022, and 2021 current assets were approximately \$3.0 and \$3.0 million respectively, resulting in an increase of \$27 thousand and decrease of \$2.5 million respectively. The current asset position has stabilized after year over year decreases from the use of cash to pay current liabilities and capitalized lease obligations when fiscal year operations were not sufficient to generate positive cash flow. As of June 30, 2022 and 2021 the Organization had \$34.6 and \$35.3 million in capital and right-of-use assets, less accumulated depreciation and amortization of \$20.0 and \$19.8 million, for net capital and right-of-use assets of \$14.6 and \$15.5 million, respectively. Capital and right-of-use assets consist mostly of a facility lease asset and purchased or financed equipment. For the years ended, June 30, 2022 and 2021 depreciation and amortization expense totaled \$917 and \$942 thousand, respectively. As of June 30 2022 and 2021, other non-current assets comprise \$152 and \$284 thousand, respectively, of the Organization's total assets.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statement of Revenues, Expenses, and Changes in Net Position because they are not expense items relating to the current fiscal year, but to future periods. They are not shown on the Statement of Net Position in the Asset section because they are not items the Organization owns. Instead, they are presented on the Statement of Net Position as deferred outflows to reflect the fact that the recognition of the related expense will happen at a future date. The amounts recorded as deferred outflows for the fiscal years presented result from capital debt refunding transactions related to the CAMLS facility loan.

Liabilities

As of June 30, 2022 and 2021, total liabilities were \$14.1 million and \$14.8 million, respectively, resulting in a decrease of \$680 thousand (-5%) and \$1.7 million (-10%), respectively. The decrease in liabilities primarily resulted from scheduled payments on lease liabilities. As of June 30, 2022 and 2021, current liabilities comprise approximately to \$3.7 and \$3.4 million, respectively, of total liabilities and include all items that mature within one year. The current liabilities include current portion of long-term lease obligations, accounts payable, accrued expense due to related parties, refunds due to sponsors, unearned revenue and other current liabilities.

As of June 30, 2022 and 2021, the Organization had approximately \$11.5 million and \$12.7 million respectively, of facility and equipment lease obligations of which, \$10.4 and \$11.5 million, respectively, represent the long-term portion of lease obligations and \$1.1 and \$1.2 million, respectively, represent the current portion included with current liabilities.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Condensed Statements of Net Position - Continued

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statement of Revenues, Expenses, and Changes in Net Position because they are not revenue items related to the current fiscal year, but to future periods. They are not shown on the Statement of Net Position in the Liability section because they are not items the Organization owes. Instead, they are presented on the Statement of Net Position as deferred inflows to reflect the fact that the recognition of the related revenue will happen at a future date. The amounts recorded as deferred inflows as of June 30, 2022 and 2021, were approximately \$722 thousand and \$1.6 million, respectively, resulting in a decrease of \$857 and \$549 thousand, respectively.

Net Position

Net position is the residual of all other elements presented in the Statement of Net Position. Net position is classified into two categories:

- Net Investment in Capital and Right-of-Use Assets represents the Organization's investment in capital assets such as moveable equipment, buildings, infrastructure, and improvements, net of accumulated depreciation, amortization and related debt or lease obligation.
- Unrestricted represents the portion of net position that has no third-party restrictions. Management designates the majority of this balance for specific purposes to fulfill strategic initiatives and operational needs.

Net investment in capital and right-of-use assets increased \$375 and \$308 thousand, respectively. For the fiscal years ended June 30, 2022 and 2021, the Organization added capital and right-of-use assets of \$39 and \$126 thousand and made lease liability payments of \$1.25 and \$1.1 million, offset by annual depreciation and amortization of \$917 and \$942 thousand, respectively.

The unrestricted net position had an increase of \$128 thousand and a decrease of \$1.4 million for the fiscal years ended June 30, 2022 and 2021 respectively. These changes were driven by the impact of COVID-19 on revenue generation for all of fiscal year 2021 and the first six months of fiscal year 2022. COVID-19 restrictions were lifted in January 2022.

Condensed Statements of Revenues, Expenses and Changes in Net Position

Revenues are classified for financial reporting as either operating or non-operating. Operating revenues are generated by providing goods and services to students and other guests and include registration fees, grants, contracts, rents and other rebates related to the provision of goods and services. Non-operating revenues are those received by the Organization without providing a corresponding good or service and include support from other related parties, investment income and proceeds from the sale of assets.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Condensed Statements of Revenues, Expenses and Changes in Net Position - Continued

The following summarizes the Organization’s revenues, expenses and changes in net position for the fiscal years ended June 30, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 16,117,705	8,654,025	14,121,078
Operating expenses	<u>(16,213,186)</u>	<u>(9,739,754)</u>	<u>(14,510,966)</u>
Operating loss	(95,481)	(1,085,729)	(389,888)
Net non-operating revenues (expense)	<u>598,216</u>	<u>2,051</u>	<u>(186,310)</u>
Increase (decrease) in net position	502,735	(1,083,678)	(576,198)
Net position, beginning of year	<u>2,479,254</u>	<u>3,562,932</u>	<u>4,139,130</u>
Net position, end of year	<u>\$ 2,981,989</u>	<u>2,479,254</u>	<u>3,562,932</u>

Operating Revenues

Operating revenues by source for the fiscal years ended June 30, 2022, 2021 and 2020 were as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contracts and grants - non USF	\$ 11,568,757	4,668,725	9,176,027
Contracts and grants - USF	3,500,746	3,421,204	3,830,603
Program registration and exhibits	613,996	310,456	661,169
Rental revenue	349,114	236,644	390,649
Rebates and commissions	<u>85,092</u>	<u>16,996</u>	<u>62,630</u>
Total operating revenues	<u>\$ 16,117,705</u>	<u>8,654,025</u>	<u>14,121,078</u>

For the fiscal years ended June 30, 2022 and 2021, operating revenues increased \$7.4 million (86%) and decreased \$5.5 million (-39%), respectively. The Organization’s operating revenues consist of financial management support and programming for the USF Health Office of Continuing Professional Development (“OCPD”) and management and programming of the USF Health Center for Advanced Medical Learning and Simulation (“CAMLS”). The year over year changes are directly attributable to grants received for online content delivery in partnership with Medical Education Companies (“MECs”), and the direct impact of COVID-19 and resulting postponement of programs during all of fiscal year 2021 and the first six months of fiscal year 2022. Live programming revenue increased significantly when COVID-19 restrictions were lifted in January 2022.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Condensed Statements of Revenues, Expenses and Changes in Net Position - Continued

Operating Revenues - Continued

For the years ended June 30, 2022 and 2021, Contracts and grants – non USF increased \$6.9 million (148%) and decreased \$4.5 million (-49%), respectively. Revenues at CAMLS represent \$1.5 million of the increase and \$1.2 million of the decrease respectively, while OCPD grants for online content delivery in partnership with MECs represent an increase of \$5.4 million and decrease of \$3.3 million, respectively.

For the fiscal years ended June 30, 2022 and 2021, Contracts and grants – USF increased \$80 thousand (2%) and decreased \$409 thousand (-11%) respectively, as COVID-19 restrictions for in person events eased in January 2022 and programming relocating to other campus facilities in fiscal year 2021 leveled off.

For the fiscal years ending June 30, 2022 and 2021, program registrations and exhibits increased by \$303 thousand (98%) and decreased \$351 thousand (-53%), respectively. Rebates and commissions, which are dependent upon these events increased by \$68 thousand (401%) and decreased \$46 thousand (-73%), respectively. Rental revenue increased \$112 thousand (48%) and decreased \$154 thousand (-39%), respectively, due to the direct impact of COVID-19 which resulted in postponement of programs during all of fiscal year 2021 and the first six months of fiscal year 2022. Live programming revenue increased significantly when COVID-19 restrictions were lifted in January 2022.

Operating Expenses

The following summarizes the operating expenses for the fiscal years ended June 30, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries and benefits	\$ 3,743,785	3,611,367	3,898,070
Wages - program driven temporary staffing	84,925	70,793	250,425
Rent, utilities and equipment leases	1,296,929	1,135,653	1,343,304
Other operating expenses	571,300	431,548	546,705
Right-of-use asset amortization	500,930	494,735	494,285
Depreciation expense	416,357	447,156	594,432
Program services	<u>9,598,958</u>	<u>3,548,502</u>	<u>7,383,745</u>
Total operating expenses	<u>\$ 16,213,184</u>	<u>9,739,754</u>	<u>14,510,966</u>

For the fiscal years ended June 30, 2022 and 2021, operating expenses increased \$6.5 million (66%) and decreased \$4.8 million (-33%), respectively, primarily from the pass through of grants to MECs, and the direct impact of COVID-19 resulting in postponed live programs during all of fiscal year 2021 and the first six months of fiscal year 2022. Live programming direct expenses increased significantly when COVID-19 restrictions were lifted in January 2022. Operating expenses other than program services increased moderately due to inflation and increased live programming.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Condensed Statements of Revenues, Expenses and Changes in Net Position - Continued

Non-operating Revenues and Expenses

Certain revenue sources including contributions are defined by GASB as non-operating. Non-operating expenses include capital financing costs and other costs related to capital assets. The following summarizes the Organization’s non-operating revenues and expenses for the fiscal years ended June 30, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Transfers from UMSA	\$ 884,000	270,000	310,000
USF carryforward funding	-	69,382	-
Investment income	17,771	20,852	30,848
Bond prepayment premium amortization	(20,999)	(18,764)	-
Interest expense on debt	(288,556)	(346,419)	(527,158)
Gain on asset disposal	6,000	7,000	-
	<u>598,216</u>	<u>2,051</u>	<u>(186,310)</u>
Total net non-operating revenue (expense)	\$ 598,216	2,051	(186,310)

For the fiscal years ending June 30, 2022 and 2021, combined non-operating revenue from USF Health and USF carryforward funding to support the Organization’s programming increased \$545 thousand and \$29 thousand, respectively.

For the years ending June 30, 2022 and 2021, non-operating interest expense on lease obligations decreased \$58 and \$180 thousand, respectively. The significant fiscal year ending June 30, 2021 decrease is due to the refunding of the CAMLS facility debt.

Condensed Statements of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of the Organization by presenting relevant information about the cash receipts and cash payments of the Organization during the fiscal year. It assists in determining the Organization’s ability to generate future net cash flows to meet its obligations as they become due and to determine the need for external financing. The Statement of Cash Flows presents sources and uses of cash and cash equivalents in four activity-based categories: operating, non-capital financing, investing, and capital and related financing.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Condensed Statements of Cash Flows - Continued

The following summarizes the Organization’s cash flows for the fiscal years ended 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from:			
Operating activities	\$ 330,201	(849,712)	1,253,837
Noncapital and related financing activities	884,000	270,000	398,000
Capital and related financing activities	(1,574,694)	(1,745,894)	(1,756,323)
Investing activities	17,771	20,852	30,849
	<u> </u>	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(342,722)	(2,304,754)	(73,637)
Cash and cash equivalents, beginning of year	<u>1,983,352</u>	<u>4,288,106</u>	<u>4,361,743</u>
Cash and cash equivalents, end of year	<u>\$ 1,640,630</u>	<u>1,983,352</u>	<u>4,288,106</u>

For the years ended June 30, 2022 and 2021, cash flow provided by operating activities increased \$1.2 million (139%) and decreased \$2.1 million (-168%), respectively, primarily from the impact of COVID-19 in fiscal year 2021 and lifting of restrictions in fiscal year 2022.

Non-capital and related financing activities represent transfers from UMSA for continuing education of students and faculty.

Net cash used in capital and related financing activities decreased due to refunding facility debt at the end of fiscal year 2021, which reduced the monthly lease obligations and associated interest costs, and a reduction in purchasing of property and equipment.

Net cash provided by investing activities comes the government held savings accounts and interest income from lease receivables.

Economic Conditions and Outlook

The financial outlook for the 2022-2023 fiscal year anticipates pre-COVID-19 volumes at CAMLS based on the momentum of fiscal year 2022’s final six months carrying forward into fiscal year 2023 despite increasing energy costs and overall inflation. New variants and spikes of COVID-19 as well as other viruses remain a concern. The CAMLS team and facility is welcoming learners back and successfully demonstrating its safety protocols to returning clients. CAMLS and OCPD pivoted their program offerings to provide more online and remote training opportunities with live streaming, virtual reality and bringing the training directly to client locations.

Request for Information

This financial report is designed to provide a general overview of the Organization’s finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional information should be addressed in writing to the Chief Financial Officer, USF Health Professions Conferencing Corporation 124 S. Franklin St, Tampa, Florida 33602.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,640,630	1,983,352
Accounts receivable, net	666,723	580,244
Due from USF/DSO	281,050	149,015
Prepaid expenses	126,767	78,794
Lease receivable	220,415	169,189
Other current assets	<u>30,675</u>	<u>32,555</u>
Total current assets	2,966,260	2,993,149
Noncurrent assets:		
Property and equipment, net	253,658	630,582
Right-of-use assets, net	14,363,572	14,842,036
Lease receivable, noncurrent	150,988	283,758
Other assets	<u>1,180</u>	<u>-</u>
Total assets	17,735,658	18,749,525
Deferred Outflows of Resources		
Bond prepayment premium	98,816	119,815
Liabilities		
Current liabilities:		
Current installments under lease obligations	1,071,831	1,247,119
Accounts payable	1,275,227	235,393
Accrued expenses, other	82,151	186,188
Due to USF/DSO	485,349	557,526
Unearned revenue	821,557	1,132,896
Other current liabilities	<u>-</u>	<u>2,500</u>
Total current liabilities	3,736,115	3,361,622
Noncurrent liabilities:		
Lease obligations, net of current portion	<u>10,394,634</u>	<u>11,449,585</u>
Total noncurrent liabilities	<u>10,394,634</u>	<u>11,449,585</u>
Total liabilities	14,130,749	14,811,207
Deferred Inflows of Resources		
Deferred grants	350,333	1,125,932
Deferred lease revenue	371,403	452,947
Net Position		
Net investment in capital and right-of-use assets	3,150,765	2,775,914
Operating unrestricted	<u>(168,776)</u>	<u>(296,660)</u>
Total net position	\$ <u>2,981,989</u>	\$ <u>2,479,254</u>

See accompanying independent auditors' report and notes to financial statements.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Contracts and grants - non USF	\$ 11,568,757	4,668,725
Contracts and grants - USF	3,500,746	3,421,204
Program registration and exhibits	613,996	310,456
Rental revenue	349,114	236,644
Rebates and commissions	<u>85,092</u>	<u>16,996</u>
Total operating revenues	16,117,705	8,654,025
Operating expenses:		
Direct programming expense	9,598,958	3,548,502
Supporting services:		
Salaries and benefits	3,743,785	3,611,367
Wages - program driven temporary staffing	84,925	70,793
Rent, utilities, and equipment leases	1,296,931	1,135,653
Other operating expenses	571,300	431,548
Right-of-use asset amortization	500,930	494,735
Depreciation expense	<u>416,357</u>	<u>447,156</u>
Total operating expenses	<u>16,213,186</u>	<u>9,739,754</u>
Operating loss	(95,481)	(1,085,729)
Non-operating revenues (expenses):		
Transfers from UMSA - continuing ed - faculty, students	884,000	270,000
USF carryforward funding	-	69,382
Investment income	17,771	20,852
Bond prepayment premium amortization	(20,999)	(18,764)
Interest expense on debt and lease obligations	(288,556)	(346,419)
Gain on asset disposal	<u>6,000</u>	<u>7,000</u>
Total net non-operating revenues (expense)	<u>598,216</u>	<u>2,051</u>
Increase (decrease) in net position	502,735	(1,083,678)
Net position, beginning of year	<u>2,479,254</u>	<u>3,562,932</u>
Net position, end of year	<u>\$ 2,981,989</u>	<u>2,479,254</u>

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Programmatic receipts	\$ 13,717,531	7,240,051
Facility operations receipts	1,292,976	1,293,103
Rents and rebate receipts	368,973	230,641
Total receipts	15,379,480	8,763,795
Programmatic disbursements	(9,384,462)	(4,432,201)
Staffing disbursements	(3,943,079)	(3,653,954)
Facility operation disbursements	(1,721,738)	(1,527,352)
Total disbursements	(15,049,279)	(9,613,507)
Net cash provided by (used in) operating activities	330,201	(849,712)
Cash flows from noncapital and related financing activities:		
Transfers from UMSA	884,000	270,000
Net cash provided by noncapital and related financing activities	884,000	270,000
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(39,433)	(125,841)
Proceeds on sale of fixed assets, net	6,000	7,000
Principal payments under lease obligations	(1,252,705)	(1,142,055)
Interest payments on debt and lease obligations	(288,556)	(346,419)
Bond refund premium	-	(138,579)
Net cash used in capital and related financing activities	(1,574,694)	(1,745,894)
Cash flows from investing activities		
Investment income	17,771	20,852
Net cash provided by investing activities	17,771	20,852
Net decrease in cash and cash equivalents	(342,722)	(2,304,754)
Cash and cash equivalents at beginning of year	1,983,352	4,288,106
Cash and cash equivalents at end of year	\$ 1,640,630	1,983,352

(Continued)

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Statements of Cash Flows - Continued

	<u>2022</u>	<u>2021</u>
Reconciliation of operating loss to net cash provided		
by (used in) operating activities:		
Operating loss	\$ (95,481)	(1,085,729)
Adjustments to reconcile operating loss to net cash		
provided by (used in) operating activities:		
Depreciation expense	416,357	447,156
Right-of-use asset amortization	500,930	494,735
USF carryforward funding	-	69,382
Change in assets and liabilities and deferred inflows of resources:		
Accounts receivable and due from USF/DSO	(218,514)	176,503
Prepaid expenses	(47,973)	587
Lease receivable	81,544	160,438
Other assets	700	(4,038)
Accounts payable, accrued expenses and refunds due to sponsors	863,620	(327,870)
Other current liabilities	(2,500)	(6,085)
Unearned revenue	(311,339)	(224,989)
Deferred inflows of resources	<u>(857,143)</u>	<u>(549,802)</u>
Net cash provided by (used in) operating activities	<u>\$ 330,201</u>	<u>(849,712)</u>

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements

June 30, 2022 and 2021

(1) Organization

(a) Nature of Entity

USF Health Professions Conferencing Corporation (the “Organization”), a Florida not-for-profit corporation, was incorporated February 7, 2005 and began operations July 1, 2007. The Organization is a direct support organization (“DSO”) of the University of South Florida (“USF” or the “University”) and was established to provide educational, administrative, logistical and financial services to support the Office of Continuing Professional Development (“OCPD”). The OCPD is committed to sponsoring quality continuing education activities to meet the needs of University faculty, alumni and healthcare professionals practicing throughout the state, nationally and internationally. Many of these activities are now conducted at the USF Health Center for Advanced Medical Learning and Simulation (“CAMLS”) which opened in February 2012 in downtown Tampa, Florida. The Organization leases CAMLS from the USF Financing Corporation and is responsible for its day to day operations and programming (see Note 7 for information regarding the related lease liability).

(b) Reporting Entity

In defining the Organization for financial reporting purposes, management has applied the requirements of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. These statements establish the basis for the reporting entity and whether it is considered a component unit of another entity. The Organization would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and: (1) is able to impose its will on the potential component unit and/or (2) is fiscally dependent and is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit’s board. Chapter 2018-004, Laws of Florida, now requires the prospective approval of all new direct support organization board members. One director shall be selected and appointed by the Chairperson of the University’s Board of Trustees. One director shall be either the President of the University or the designee of the President of the University, pursuant to Florida Statutes Section 1004.28(3). The remaining directors were appointed by the University Senior Vice President for USF Health subject to approval by the University’s Board of Trustees effective March 11, 2018. As a result of Florida law and the University’s control of the Organization’s governing body, the Organization is required to report on a GASB basis. The Organization also meets the financial accountability criteria necessary to be considered a component unit of the University.

Based on the application of these criteria, the Organization is a discretely presented component unit of the University, and its financial balances and activity are reported in the University’s Comprehensive Annual Financial Report.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Organization conform to accounting principles generally accepted in the United States of America as prescribed by GASB. The Organization's financial statements are presented in the form of a single enterprise fund.

(b) Basis of Accounting

The financial statements of the Organization have been prepared using the flow of 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.

The Organization distinguishes operating revenues and expenses from non-operating and other items. Operating revenues are those revenues that are generated from the primary operations of the Organization. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Organization. All other expenses are reported as non-operating expenses.

(c) New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, followed by GASB Statement No. 95 in May 2020 delaying the effective date to the Organization's fiscal year beginning July 1, 2021.

GASB Statement No. 87 enhances the relevance and consistency of information of the Organization's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Organization's 2022 financial statements and were retroactively applied to restate the 2021 financial statements presented on a comparative basis. Adoption of the standard did not have a significant effect on the Organization's operations or cash flows and did not have an effect on the beginning net position of the Organization at either June 30, 2022 or June 30, 2021. The Organization recognized \$452,947 and \$613,750 in leases receivable at July 1, 2021 and 2020, respectively, due to the implementation of GASB Statement No. 87; however, this entire amount was offset by deferred inflows of resources for leases.

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(e) Accounts Receivable

Accounts receivable are recorded at net realizable value. The Organization's policy is to provide an allowance for accounts receivable that are not expected to be collected based on aging of the account and specific review of the customer.

Accounts receivable are charged off against the allowance for doubtful accounts when it is determined that the receivable will not be collected. The Organization does not typically charge interest on past-due receivables and does not require collateral for accounts receivable. The Organization's allowance for doubtful accounts was \$8,000 at June 30, 2022 and 2021, respectively.

(f) Capital and Right-of-Use Assets

Purchased capital assets are recorded at cost. Right-of-use lease assets are recorded at present value of the related lease obligation. Donated capital assets are recorded at fair value at the date of the donation. Property and equipment are depreciated over estimated useful lives ranging from three to forty years using the straight line method.

Costs of donated assets greater than \$1,000 are capitalized. The cost of maintenance and repair of capital assets is charged to expense as incurred, while costs of renewals and betterments are capitalized. When capital assets are replaced, retired, or otherwise disposed of, the costs of such capital assets and the related accumulated depreciation are deducted from the respective asset and accumulated depreciation accounts.

(g) Revenue Recognition

Revenues are recognized when the earnings process is substantially complete or purpose restrictions have been met. CAMLS contractual fees, OCPD participant registrations, exhibitor fees and revenue generated from commercial and institutional grants are recognized when the educational activity has been held or the educational materials have been delivered. Unearned revenues associated with registrations and fees received for contractual programs not yet held, or for educational materials not yet delivered was approximately \$.8 million and 1.1 million at June 30, 2022 and 2021, respectively.

(h) Deferred Outflows and Inflows of Resources

In addition to Assets, Liabilities, and Net Position, shown in a separate section of the Statement of Net Position are Deferred Outflows and Inflows of Resources, which represent a consumption or an acquisition of resources not requiring any further exchange of goods and services, but which are applicable to future periods. Expense or Revenue related to these deferred items will be appropriately recognized in future reporting periods. Deferred outflows consist of the prepayment costs associated with refunding debt, which was approximately \$.1 million at June 30, 2022. Deferred inflows consist of deferred lease revenue and grants received for contractual programs not yet held, or for educational materials not yet delivered, which were approximately \$.7 million and \$1.6 million at June 30, 2022 and 2021, respectively.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(i) Estimates in Financial Statements

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases or decreases in net position during the period. Actual results could differ from those estimates.

(j) Income Taxes

The Organization is exempt from federal income taxes on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the years ending June 30, 2022 and 2021, the Organization's sole source of unrelated business income was conferencing services. At June 30, 2022, management has evaluated the relevant technical merits of their tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no positions that would have a material impact on the financial statements of the Organization. The Organization's income tax filings for the past three years are subject to examination by taxing authorities, and may change upon examination.

(k) Reclassifications

Certain amounts appearing in the 2021 financial statements have been reclassified to conform to the presentation in 2022.

(3) Concentrations of Credit Risk and Significant Customers

Financial instruments that are exposed to concentrations of credit risk consist of cash, investments and accounts receivable. The Organization maintains deposit balances with what management believes to be high credit quality commercial banks. At June 30, 2022 and 2021, a total of \$1,716,824 and \$2,052,202, respectively, was held in a government checking and savings account which provided the collateral protection required by State of Florida Statute 280 for amounts in excess of the FDIC insurance limits.

Amounts due from four customers were approximately 28% from the University and University Medical Services Association, Inc. ("UMSA"), and 25% from two external clients totaling 53%, and 13% from the University and 26% from three external clients totaling 39% of total accounts receivable at June 30, 2022 and 2021 respectively. The Organization performs ongoing credit evaluations of its customers, and generally requires no collateral from them.

Unearned revenue associated with amounts received from one customer was approximately \$117,000, or 14% of total unearned revenue, as of June 30, 2022 and was approximately \$335,000, or 30% as of June 30, 2021.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(4) Property and Equipment

Property and equipment and related activity as of and for the years ended June 30, 2022 and 2021 consisted of the following:

	June 30, 2020	Additions	Disposals	June 30, 2021	Additions	Disposals	June 30, 2022
Capital assets:							
Furniture and equipment	\$ 772,872	16,845	-	789,717	4,656	98,079	696,294
Computers	2,071,874	103,605	17,891	2,157,588	16,052	66,039	2,107,601
Medical equipment	10,313,955	-	499,461	9,814,494	11,543	624,985	9,201,052
Leasehold improvements	1,657,735	5,391	17,870	1,645,256	7,182	-	1,652,438
Total capital assets	14,816,436	125,841	535,222	14,407,055	39,433	789,103	13,657,385
Less accumulated depreciation	(13,846,668)			(13,776,473)			(13,403,727)
	<u>\$ 969,768</u>			<u>630,582</u>			<u>253,658</u>
Right-of-use assets:							
Special Use building	\$ 20,907,385	-	-	20,907,385	-	-	20,907,385
Right-of-use equipment	-	-	-	-	22,465	-	22,465
Total right-of-use assets	20,907,385	-	-	20,907,385	22,465	-	20,929,850
Less amortization	(5,570,614)			(6,065,349)			(6,566,278)
	<u>\$ 15,336,771</u>			<u>14,842,036</u>			<u>14,363,572</u>

Depreciation and amortization expense was \$917,287 and \$941,891 for the years ended June 30, 2022 and 2021, respectively.

(5) Retirement Plans

Prior to December 10, 2021 about half of the Organization's employees were employed by UMSA, a DSO of the University, or the State of Florida ("University"). Thereafter all employees are employed by the University.

UMSA employees participate in a defined contribution tax-deferred annuity retirement plan that covers substantially all eligible personnel upon completion of one year of service. University employees choose between a defined contribution tax-deferred annuity retirement plan or defined benefit pension plan that covers substantially all eligible personnel. Under these plans the Organization contributes at the rate of 3.3% to 5.1% of each eligible individual's total compensation depending on the retirement plan selected. Contribution expense related to the plans was approximately \$225,000 and \$178,000 for the years ended June 30, 2022 and 2021, respectively.

The Organization's employees, whether employed by UMSA or University can also participate in a voluntary tax-deferred annuity plan. Under this plan, all personnel may make voluntary contributions through the purchase of individual annuity contracts.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(6) In-Kind Donations

The Organization receives in-kind support in the furtherance of its objectives. The in-kind support consists principally of training supplies or equipment. In-kind support is recorded at its fair value on the date of donation and expensed when consumed or capitalized and depreciated over its useful life.

(7) Leases

The Organization has several month-to-month cancellable leases for parking. Lease expense for the years ended June 30, 2022 and 2021 was approximately \$214,000 and \$237,000, respectively.

The Organization was also obligated under long-term leases at June 30, 2022. The first lease is for certain medical equipment and requires monthly payments of \$32,050 through July 2022 and transfers ownership at the end of the term. Included in the monthly lease payments are amounts paid for maintenance and support services of \$12,840. These amounts are expensed each month when paid. The initial amount balance was \$1,026,937, and the balances as of June 30, 2022 and 2021 were \$0 and \$243,108, respectively.

The second lease, signed in December 2010, relates to the Organization's CAMLS facility in Tampa, Florida which was completed in February 2012. As discussed in Note 8, this lease is with a related party, the USF Financing Corporation ("USFFC"). The term of the lease is through June 30, 2051 with lease payments through December 31, 2031 equivalent to the USFFC debt repayment schedule. Subsequent lease payments will be adjusted to an amount mutually agreeable once the debt obligation is satisfied in full. The initial amount balance was \$20,907,385, and the balances as of June 30, 2022 and 2021 were \$11,449,584 and \$12,453,596, respectively. During fiscal year 2018, USFFC refinanced the debt associated with CAMLS reducing the net interest rate from 4.01% to 3.51% which in turn reduced the Organization's annual lease payments by approximately \$550 thousand to approximately \$1.52 million through 2031. In fiscal year 2021, USFFC refunded the debt reducing the net interest rate from 3.51% to 2.25% which in turn reduced the Organization's future lease payments by approximately \$871 thousand through 2031.

The third lease is for office equipment and requires monthly payments of \$549 through March 2025. These amounts are expensed each month when paid. The initial amount balance was \$23,819, which began in April of 2021, and the balances as of June 30, 2022 and 2021 were \$16,879 and \$22,456, respectively.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(7) Leases - Continued

The gross capitalized amount of equipment and right-of-use facility and equipment and the related accumulated depreciation and right-of-use amortization related to the leases at June 30, 2022 and 2021 were:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 1,026,937	1,026,937
Accumulated depreciation	<u>(1,026,937)</u>	<u>(848,976)</u>
	<u>\$ -</u>	<u>177,961</u>
Right-of-use facility and equipment	\$ 20,929,850	20,907,385
Right-of-use amortization	<u>(6,566,278)</u>	<u>(6,065,349)</u>
	<u>\$ 14,363,572</u>	<u>14,842,036</u>

At lease inception, interest rates on leases are imputed based on the lower of the Organization's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return and range from 2.25% on the facility lease to 5% on an equipment lease.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,071,831	258,326
2024	1,137,900	234,042
2025	1,206,393	208,268
2026	1,275,692	181,133
2027	1,354,402	152,430
2028 - 2031	<u>5,420,247</u>	<u>285,588</u>
	<u>\$ 11,466,465</u>	<u>1,319,787</u>

In accordance with the provisions of GASB 87, the Organization recorded three lease receivables and related deferred inflow of resources. The first lease receivable is for the rental of the Café and food preparation area with a monthly rental of \$10,000 beginning in January 2020 and increasing 3% thereafter until December 2023. The initial amount balance was \$455,683, and the balance as of June 30, 2022 was \$187,929.

The second lease receivable is for the vivarium and usage of common space on the first floor with a monthly rental of \$2,917 beginning in January 2022 and increasing 3% thereafter each year at the first of each year until December 2024. The initial amount balance was \$108,182 and the balance as of June 30, 2022 was \$87,645.

The third lease receivable is for the Shared Student Services on the third floor with a monthly rental of \$4,832 beginning in February 2021 and increasing 3% thereafter until January 2024. The initial balance was \$173,361 and the balance as of June 30, 2022 was \$95,829.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(8) Related Party Transactions

In the normal course of business the Organization transacts with the following related parties:

<u>Related Party</u>	<u>Relationship</u>
University of South Florida ("USF" or the "University")	Governing Organization
University Medical Services Association, Inc. ("UMSA")	Direct support organization of Governing Organization
USF Financing Corporation ("USFFC")	Direct support organization of Governing Organization
USF Foundation	Direct support organization of Governing Organization

Summary of Transactions with Related Parties

The significant related party balances and transactions as of and for the years ended June 30, 2022 and 2021, are summarized and approximated as follows:

Programming, Facility Operations and Support Revenue

The Organization receives contractual funding and transfers for continuing education, training and academic programming.

The summary of transactions related to the Organization's delivery of programming included in Operating revenues, as well as support included in Non-operating revenues is as follows:

	<u>2022</u>		<u>2021</u>	
	Amount of Transaction for the Year Ending June 30	Outstanding Receivable Balance at June 30	Amount of Transaction for the Year Ending June 30	Outstanding Receivable Balance at June 30
Operating revenue:				
UMSA	\$ 611,519	148,078	597,588	87,569
USF	3,109,390	132,972	2,986,763	61,446
USF Foundation	2,650	-	21,093	-
Non-operating revenue:				
UMSA	884,000	-	270,000	-
USF	-	-	69,382	-
	<u>\$ 4,607,559</u>	<u>281,050</u>	<u>3,944,826</u>	<u>149,015</u>

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(8) Related Party Transactions - Continued

Summary of Transactions with Related Parties - Continued

Outsourcing Services

All of the Organization's personnel are either employees of UMSA or employees of the University. The Organization has entered into service agreements or approved allocations of various support services based on actual usage or cost allocation in the following areas: staffing, personnel services, payroll processing, internal audit, information technology, vivarium services, instructors and other related functions. In addition, the Organization contracts with various USF departments and the net revenues from these activities are either retained by the Organization for use in future programs or paid out.

The summary of transactions arising from the Organization's service agreements and related charges included in operating expenses is as follows:

	2022		2021	
	Amount of Transaction for the Year Ending June 30	Outstanding Payable Balance at June 30	Amount of Transaction for the Year Ending June 30	Outstanding Payable Balance at June 30
UMSA	\$ 855,717	324,380	1,678,108	476,413
USF	3,356,208	160,969	2,305,183	81,113
USFFC	58,626	-	-	-
	\$ 4,270,551	485,349	3,983,291	557,526

Lease Transactions (Organization as Lessee)

The summary of annual transactions arising from the Organization's lease agreement include insurance and management fees included in operating expenses, interest included in non-operating expenses, bond prepayment premium included in deferred outflows of resources and principal as a reduction of lease obligations. The annual transaction amount along with current portion and long-term portion of the June 30 balance are presented as follows:

	2022			2021		
	Amount of Transaction for the Year Ending June 30	Current Installments of Obligation Under Lease at June 30	Obligation Under Lease, Excluding Current Installments at June 30	Amount of Transaction for the Year Ending June 30	Current Installments of Obligation Under Lease at June 30	Obligation Under Lease, Excluding Current Installments at June 30
USFFC	\$ 1,383,251	1,065,959	10,383,626	1,465,339	1,004,011	11,449,585

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Notes to Financial Statements - Continued

(9) Deferred Inflows of Resources

As of June 30, 2022 and 2021, deferred inflows of resources relate to the following:

	<u>2022</u>	<u>2021</u>
Grant specific continuing education program activities	\$ 350,333	1,125,932
Deferred lease revenue	<u>371,403</u>	<u>452,947</u>
	<u>\$ 721,736</u>	<u>1,578,879</u>

(10) Risks and Uncertainties

The novel coronavirus (“COVID-19”) spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts continued to affect external clientele at the Center for Advanced Medical Learning and Simulation (“CAMLS”) and significantly impacted the years ending June 30, 2020, 2021 and 2022 results despite the continuation of online programming and resumption of USF student and resident programming at CAMLS in fiscal year 2021 and 2022. CAMLS and the Office of Continuing Professional Development pivoted their program offerings to provide more online and remote training opportunities with live streaming, virtual reality and bringing the training directly to client locations. Although the Organization anticipates continued challenges in fiscal year 2022 due to new variants of COVID-19 constraining air travel and face-to-face meetings, the work begun in 2020 to preserve cash and proactively work with clients to reschedule deferred programming positioned the Organization to be fully operational and meet the changing needs of clients when COVID-19 restrictions were lifted in January 2022. Although many restrictions were lifted and the pandemic phase of COVID-19 appears to be ending, the duration and extent of its effects over longer terms cannot be reasonably estimated as of the date the financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of the curtailment of various business and societal activities and the long-term effect on the demand for the Organization’s programs and services. Accordingly, significant estimates used in the preparation of the financial statements including those associated with evaluations of certain long-lived assets for impairment and expected credit losses on amounts owed to the Organization may be subject to significant adjustments in future periods.

(11) Subsequent Events

The Organization has evaluated subsequent events through October 20, 2022, the date the financial statements were available for issuance.

USF HEALTH PROFESSIONS CONFERENCING CORPORATION

Schedule of Functional Expenses

**Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	Management and General	Program Services	Total Expenses	
			2022	2021
Salaries and benefits	\$ 1,466,906	2,361,805	3,828,711	3,682,159
Educational partner expenses	-	8,128,868	8,128,868	2,551,193
Materials and supplies	11,117	1,109,241	1,120,358	736,462
Support services	88,122	182,701	270,823	258,954
Expendable furniture and equipment	2,295	2,242	4,537	9,400
Brochure design, printing and mailing	699	20,293	20,992	24,079
Audio visual, catering and room rentals	680	47,627	48,307	21,022
Honoraria and consultants	22,181	431,948	454,129	329,821
Travel - speakers and staff	2,853	23,140	25,993	16,448
Marketing and development	-	38,103	38,103	6,782
Residuals and refunds to sponsors	-	39,196	39,196	(2,575)
Utilities, repairs and maintenance	18,779	1,143,136	1,161,915	940,188
Facilities rent	8,668	27,370	36,038	13,695
Equipment leases	-	117,929	117,929	199,460
Interest	14,066	274,490	288,556	346,419
Depreciation and amortization	36,842	880,445	917,287	941,891
In-kind	-	-	-	10,775
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>1,673,208</u>	<u>14,828,534</u>	<u>16,501,742</u>	<u>10,086,173</u>



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*

The Board of Directors
USF Health Professions Conferencing Corporation:

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 USF Health Professions Conferencing Corporation (a nonprofit organization), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, 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 October 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered USF Health Professions Conferencing Corporation'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 USF Health Professions Conferencing Corporation'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USF Health Professions Conferencing Corporation'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.

MAYER HOFFMAN MCCANN P.C.

October 20, 2022
St. Petersburg, Florida



October 20, 2022

To the Board of Directors and Finance and Audit Committee
USF Health Professions Conferencing Corporation:

We have audited the financial statements of USF Health Professions Conferencing Corporation (“HPCC” or the “Organization”) for the year ended June 30, 2022 and have issued our report thereon dated October 20, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by USF Health Professions Conferencing Corporation are described in Note 2 to the financial statements. Other than the adoption of Governmental Accounting Standards Board (“GASB”) Statement No. 87, as described below, no new accounting policies were adopted and the application of existing policies was not changed during fiscal 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

In fiscal 2022, HPCC adopted GASB Statement No. 87, *Leases*, effective July 1, 2021. The Statement establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of this standard did not have a material impact on HPCC’s financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management’s estimate of the allowance for uncollectible accounts receivable is based on historical experience and an analysis of the collectability of individual receivable balances. We evaluated the key factors and assumptions used by management to develop the allowance (or lack thereof) in determining that it is reasonable in relation to the financial statements taken as a whole.



Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users:

The risks and uncertainties facing HPCC as a result of the impact of the COVID-19 pandemic are disclosed in Note 10 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Unusual Transactions

For purposes of this letter, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the Organization or that otherwise appear to be unusual due to their timing, size or nature.

Related Party Relationships and Transactions

As part of our audit, we evaluated the Organization's identification of, accounting for, and disclosures of the Organization's relationships and transactions with related parties as required by professional standards. We did not identify any related parties or related party relationships or transactions that were previously undisclosed to us; significant related party transactions that have not been approved in accordance with the Organization's policies or procedures or for which exceptions to the Organization's policies or procedures were granted; or significant related party transactions that appeared to lack a business purpose.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, which is required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of functional expenses, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors, the Finance and Audit Committee and management of USF Health Professions Conferencing Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MAYER HOFFMAN McCANN P.C.

Mayer Hoffman McCann P.C.
St. Petersburg, Florida