
Financial Statements

UCF Academic Health, Inc.

Years Ended June 30, 2025 and 2024

UCF ACADEMIC HEALTH, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise UCFAH's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UCFAH as of June 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UCFAH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UCFAH's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UCFAH'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 UCFAH'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 the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 September 17, 2025, 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
September 17, 2025

Management's Discussion and Analysis

UCF ACADEMIC HEALTH, INC.

Management's Discussion and Analysis

INTRODUCTION

This section of UCF Academic Health, Inc.'s (UCFAH) annual report provides an overview of its financial results for the year ended June 30, 2025. 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 Hospital Corporation of America (HCA) (Central Florida Health Services, LLC or CFHS), which includes shared governance and 20% equity ownership in the development and operation of UCF Lake Nona Hospital (UCF LNH). UCF LNH 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 (Foundation) and has a total of 173,476 sq. ft., is leased to the UCF Board of Trustees (UCF). Approximately 65,000 sq. ft. of the building is leased by UCF to UCFAH for sub-sublease to private partner tenants. This is a decrease in allocated space from prior years, as UCF is now utilizing the entire third floor, as well as renting additional space on the first floor. Rent and common area maintenance (CAM) fees are collected under the UCFAH sub-subleases and are utilized to make rent and CAM payments to UCF and ultimately to the UCF Real Estate Foundation to support the quarterly mortgage payments due for the facility and to support the costs of building operations. All surplus lease revenue is held in reserve for future capital expenditures to properly maintain the building for the tenants. As of June 30, 2025, UCFAH has two short-term tenants with lease terms three years or less and four long-term tenants with terms expiring between 2030 and 2041 in the UCF LNCC.

FINANCIAL ANALYSIS

The following is a summary of the financial performance of UCFAH, segregated by the Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position, and Statement of Cash Flows. The year ended June 30, 2025, represents the sixth year of operational financial activity for UCFAH.

A significant accounting event impacting the financial statements in Fiscal Year 2025 was the recognition of UCFAH's share of operating income from UCF LNH. UCF LNH commenced operations on March 1, 2021, and experienced losses during its initial seventeen months, primarily concentrated in the first four months. Since then, its financial performance has steadily improved, eventually generating a positive operating margin. In Fiscal Year 2022, UCFAH recorded a \$1.8

UCF ACADEMIC HEALTH, INC.

Management's Discussion and Analysis - Continued

million minority interest loss, which served as a catch-up entry covering both Fiscal Years 2021 and 2022. Over Fiscal Years 2023 and 2024, UCFAH recognized a combined gain of \$1.6 million, recovering approximately 92% of the initial startup losses. In Fiscal Year 2025, UCFAH recorded a \$3.5 million gain, exceeding its original \$15.1 million investment and increasing the long-term investment balance to \$18.5 million.

STATEMENTS OF NET POSITION - ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	June 30,		Increase/ (Decrease)	Percent Change
	2025	2024		
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 998,132	\$ 1,204,253	\$ (206,121)	-17%
Accounts receivable	36,153	34,750	1,403	4%
Current portion of lease receivables	1,063,468	971,909	91,559	9%
Prepaid expenses other current assets	20,267	17,066	3,201	19%
TOTAL CURRENT ASSETS	2,118,020	2,227,978	(109,958)	-5%
LONG-TERM ASSETS:				
EQUITY INVESTMENT	18,510,894	14,984,791	3,526,103	24%
OTHER ASSETS				
Lease asset, net	43,333,333	45,000,000	(1,666,667)	-4%
Lease receivables - less current portion	30,589,190	31,275,282	(686,092)	-2%
TOTAL LONG-TERM ASSETS	92,433,417	91,260,073	1,173,344	1%
TOTAL ASSETS	\$ 94,551,437	\$ 93,488,051	\$ 1,063,386	1%

Total assets were \$94.6 million at the end of Fiscal Year 2025, an increase of \$1.1 million. The increase is the net change of a \$110 thousand decrease in short-term assets and a \$1.2 million increase in long-term assets.

- Current Assets of \$2.1 million include mainly \$1.1 million of lease receivables, representing the current asset portion of all future billable lease receivables to present-day tenant-partners at the UCF LNCC, and a cash balance of \$1.0 million. The cash balance decreased by \$206 thousand over the prior year and is due to the refund to tenants of invoiced ad valorem taxes that will not be levied by Orange County, and an increase in building operations expense, of which UCFAH covered its proportionate share. These reductions in cash were partially offset by the annual 3% escalation of lease income and common area maintenance (CAM) fees.
- The equity investment of UCFAH in CFHS, which is included in long-term assets, increased by \$3.5 million to \$18.5 million after accounting for the minority interest portion of the CFHS net income and the accrued interest on the Class A Preferred shares that UCFAH holds. As of Fiscal Year 2025, UCFAH has recouped all its proportionate share of hospital start-up costs and has surpassed its initial investment by \$3.4 million.

UCF ACADEMIC HEALTH, INC.

Management's Discussion and Analysis - Continued

- The decrease in other long-term assets is driven by the amortization of the UCF LNCC capital lease in the amount of \$1.7 million and a decrease in future tenant lease receivables in the amount of \$686 thousand. This decrease in other long-term assets offsets the equity investment increase, providing a net increase in long-term assets of \$1.2 million.

	June 30,		Increase/ (Decrease)	Percent Change
	2025	2024		
CURRENT LIABILITIES				
Current portion of lease liability	\$ 2,000,000	\$ 2,000,000	\$ -	0%
Accounts payable	18,138	290,100	(271,962)	-94%
Unearned revenue	156,669	100,249	56,420	56%
Security deposit liability	25,862	25,862	-	0%
Accrued expenses	28,275	17,896	10,379	58%
Due to affiliate	17,333	17,333	-	0%
TOTAL CURRENT LIABILITIES	2,246,277	2,451,440	(205,163)	-8%
LONG-TERM LIABILITIES				
Lease liability - less current portion	39,500,000	41,500,000	(2,000,000)	-5%
TOTAL LONG-TERM LIABILITIES	39,500,000	41,500,000	(2,000,000)	-5%
TOTAL LIABILITIES	41,746,277	43,951,440	(2,205,163)	-5%
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	27,904,103	29,301,833	(1,397,730)	-5%
TOTAL DEFERRED INFLOWS OF RESOURCES	27,904,103	29,301,833	(1,397,730)	-5%

Total liabilities were \$41.7 million at the end of Fiscal Year 2025, a decrease of \$2.2 million. Deferred inflows of resources were \$27.9 million, a decrease of \$1.4 million.

- Current liabilities of \$2.2 million mainly consist of the current portion of the lease liability of \$2 million payable to UCF. The remaining current liability of \$246 thousand is related to \$157 thousand in unearned revenue for lease revenue received in advance from tenants, a security deposit, a small amount of accounts payable and accrued operating expenses, and funds due to Central Florida Clinical Practice Organization (a UCF-affiliated organization) as the service provider for an HCA clinical network contract.
- Long-term liabilities and deferred inflows of resources reflect the long-term portion of the lease liability paid to UCF of \$39.5 million and the deferred lease revenue of \$27.9 million related to the tenant-partners at the UCF LNCC.

	June 30,		Increase/ (Decrease)	Percent Change
	2025	2024		
NET POSITION:				
Unrestricted	\$ 24,901,057	\$ 20,234,778	\$ 4,666,279	23%
TOTAL NET POSITION	\$ 24,901,057	\$ 20,234,778	\$ 4,666,279	23%

The total net position of UCFAH at the end of Fiscal Year 2025 is \$24.9 million, an increase of \$4.7 million over the prior year. Although labeled as unrestricted, \$15.1 million is the cost of the

UCF ACADEMIC HEALTH, INC.

Management's Discussion and Analysis - Continued

land contribution to CFHS and is designated in its use to the equity investment. The increase in net position of \$4.7 million is driven mostly by the recognition of a \$3.5 million gain on investment from the 20 percent minority interest in CFHS. It is also due to the accounting treatment of lease revenue recognition. Lease revenue is recognized using an interest rate equal to the 20-year US Treasury Rate at lease commencement. Current leases are amortized using 3.3 to 4.88 percent, while the amortization of lease expense is at zero percent due to the underlying interest-free mortgage provided to the UCF Foundation, which owns the LNCC building. This rate difference creates an additional positive margin of \$1.1 million after operating expenses.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	<i>Year Ended June 30,</i>		<i>Increase/ (Decrease)</i>	<i>Percent Change</i>
	<i>2025</i>	<i>2024</i>		
TOTAL OPERATING REVENUE	\$ 3,605,042	\$ 3,624,272	\$ (19,230)	-1%
TOTAL OPERATING EXPENSES	2,462,577	2,274,925	187,652	8%
OPERATING INCOME	1,142,465	1,349,347	(206,882)	-15%
NON-OPERATING INCOME	3,523,814	854,980	2,668,834	312%
CHANGE IN NET POSITION	4,666,279	2,204,327	2,461,952	112%
NET POSITION, BEGINNING OF YEAR	20,234,778	18,030,451	2,204,327	12%
NET POSITION, END OF YEAR	\$ 24,901,057	\$ 20,234,778	\$ 4,666,279	23%

Total operating revenue stayed relatively the same at \$3.6 million, decreasing by only \$19 thousand in Fiscal Year 2025. Operating revenue includes \$2.9 million in recognized lease and interest revenue on capital leases and another \$707 thousand in CAM and FF&E revenue.

Total operating expenses increased \$188 thousand to \$2.5 million. Operating expenses include lease amortization expense of \$1.7 million and \$680 thousand for CAM expense to cover building maintenance and operations related to the UCF LNCC building. The remaining \$123 thousand includes information technology expense, financial audit expense, insurance expense, and the installation of sub-meters to measure utility costs of specific tenants for billing purposes. Total operating revenue of \$3.6 million, less total operating expense of \$2.5 million, provides net operating income of \$1.1 million.

Non-operating income of \$3.5 million reflects UCFAH's minority interest portion of the net income reported by CFHS, the hospital joint venture, offset by a small capital lease adjustment. This, combined with \$1.1 million in operating income, provides a positive change in net position of \$4.7 million to \$24.9 million for Fiscal Year 2025.

UCF ACADEMIC HEALTH, INC.***Management's Discussion and Analysis - Continued***

STATEMENT OF CASH FLOWS

	<i>Year Ended June 30,</i>		<i>Increase/ (Decrease)</i>	<i>Percent Change</i>
	<i>2025</i>	<i>2024</i>		
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,793,879	\$ 2,275,437	\$ (481,558)	-21%
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(2,000,000)	(2,000,000)	-	0%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(206,121)	275,437	(481,558)	-175%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,204,253	928,816	275,437	30%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 998,132	\$ 1,204,253	\$ (206,121)	-17%

Net cash from operating activities was \$1.8 million in Fiscal Year 2025, which consisted of \$2.6 million in cash inflows from tenant leases minus cash outflows of CAM paid to UCF and payments to vendors totaling \$789 thousand. Cash inflows were down from Fiscal Year 2024 due to the credits provided to tenants for the refund of ad valorem taxes. There was a further decrease in cash of \$2 million for lease payments made to UCF. The result was a decrease in cash of \$206 thousand.

Financial Statements

UCF ACADEMIC HEALTH, INC.

Statements of Net Position

	<i>June 30,</i>	
	<i>2025</i>	<i>2024</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 998,132	\$ 1,204,253
Accounts receivable	36,153	34,750
Current portion of lease receivables	1,063,468	971,909
Prepaid expenses other current assets	20,267	17,066
TOTAL CURRENT ASSETS	2,118,020	2,227,978
EQUITY INVESTMENT	18,510,894	14,984,791
OTHER ASSETS		
Lease asset, net	43,333,333	45,000,000
Lease receivables - less current portion	30,589,190	31,275,282
TOTAL LONG-TERM ASSETS	92,433,417	91,260,073
TOTAL ASSETS	\$ 94,551,437	\$ 93,488,051
CURRENT LIABILITIES		
Current portion of lease liability	\$ 2,000,000	\$ 2,000,000
Unearned revenue	156,669	100,249
Security deposit liability	25,862	25,862
Accrued expenses	28,275	17,896
Accounts payable	18,138	290,100
Due to affiliate	17,333	17,333
TOTAL CURRENT LIABILITIES	2,246,277	2,451,440
Lease liability - less current portion	39,500,000	41,500,000
TOTAL LIABILITIES	41,746,277	43,951,440
DEFERRED INFLOWS OF RESOURCES		
Deferred lease revenue	27,904,103	29,301,833
TOTAL DEFERRED INFLOWS OF RESOURCES	27,904,103	29,301,833
COMMITMENTS AND CONTINGENCIES - Note G		
NET POSITION:		
Unrestricted	24,901,057	20,234,778
TOTAL NET POSITION	24,901,057	20,234,778
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 94,551,437	\$ 93,488,051

UCF ACADEMIC HEALTH, INC.

Statements of Revenue, Expenses, and Changes in Net Position

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
OPERATING REVENUE:		
Commercial lease revenue	\$ 2,543,596	\$ 2,542,340
Interest income, net	1,061,446	1,081,932
TOTAL OPERATING REVENUE	3,605,042	3,624,272
OPERATING EXPENSES:		
Facility	712,489	548,492
Information technology	20,900	2,630
Professional services	36,046	31,009
Lease asset amortization	1,666,667	1,666,666
Other	26,475	26,128
TOTAL OPERATING EXPENSES	2,462,577	2,274,925
OPERATING INCOME	1,142,465	1,349,347
NON-OPERATING INCOME (EXPENSES):		
Gain on equity investment	3,526,103	862,348
Loss on lease termination	(2,289)	(7,368)
TOTAL NON-OPERATING INCOME	3,523,814	854,980
CHANGE IN NET POSITION	4,666,279	2,204,327
NET POSITION, BEGINNING OF YEAR	20,234,778	18,030,451
NET POSITION, END OF YEAR	\$ 24,901,057	\$ 20,234,778

UCF ACADEMIC HEALTH, INC.

Statements of Cash Flows

	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from rentals	\$ 2,582,611	\$ 2,888,448
Payments to suppliers and for operating expenses	(76,243)	(64,519)
Payments to affiliates	(712,489)	(548,492)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,793,879</u>	<u>2,275,437</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on lease liability	(2,000,000)	(2,000,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,000,000)</u>	<u>(2,000,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(206,121)	275,437
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,204,253</u>	<u>928,816</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 998,132</u>	<u>\$ 1,204,253</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,142,465	\$ 1,349,347
Adjustments to reconcile operating income to net cash provided by operating activities:		
Lease asset amortization	1,666,667	1,666,666
Increase (decrease) in cash due to changes in:		
Accounts receivable	(1,403)	(34,750)
Lease receivables	592,244	848,424
Prepaid expenses other current assets	(3,201)	(2,801)
Unearned revenue	56,420	(61,611)
Accrued expenses	10,379	(1,951)
Accounts payable	(271,962)	290,100
Deferred lease revenue	(1,397,730)	(1,777,987)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,793,879</u>	<u>\$ 2,275,437</u>

UCF ACADEMIC HEALTH, INC.

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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, 2025 and 2024

- *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, 2025 and 2024, respectively.

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, 2025.

NOTE C--CASH AND CASH EQUIVALENTS

Custodial Credit Risk: At June 30, 2025 and 2024, funds of approximately \$998,000 and \$1,204,000, respectively, were deposited at a banking institution that is insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. At June 30, 2025 and 2024, UCFAH had deposits of approximately \$748,000 and \$954,000 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, 2025 and 2024

NOTE D--LEASES

UCFAH leases a portion of a medical research building (UCF Lake Nona Cancer Center) from the UCF Board of Trustees. The lease term, including renewal options, is 60 years. The lease agreement calls for quarterly lease payments of \$500,000 for the first 20 years and \$250,000 per quarter for years 21-30. The stated discount rate for the lease is 0.0%. Payments cease after 30 years once total cumulative lease payments equal \$50,000,000.

A summary of the changes in the lease liability during the years ended June 30, 2025 and 2024, is as follows:

	<i>Balance</i>				<i>Balance</i>	<i>Amounts Due</i>
	<i>at June 30, 2024</i>	<i>Additions</i>	<i>Remeasurements</i>	<i>Deductions</i>	<i>at June 30, 2025</i>	<i>Within One Year</i>
Lease liability	\$ 43,500,000	\$ -	\$ -	\$ (2,000,000)	\$ 41,500,000	\$ 2,000,000
Total	\$ 43,500,000	\$ -	\$ -	\$ (2,000,000)	\$ 41,500,000	\$ 2,000,000

	<i>Balance</i>				<i>Balance</i>	<i>Amounts Due</i>
	<i>at July 1, 2023</i>	<i>Additions</i>	<i>Remeasurements</i>	<i>Deductions</i>	<i>at June 30, 2024</i>	<i>Within One Year</i>
Lease liability	\$ 45,500,000	\$ -	\$ -	\$ (2,000,000)	\$ 43,500,000	\$ 2,000,000
Total	\$ 45,500,000	\$ -	\$ -	\$ (2,000,000)	\$ 43,500,000	\$ 2,000,000

Future minimum lease payments for UCFAH are as follows:

<i>Year Ending June 30,</i>	
2026	\$ 2,000,000
2027	2,000,000
2028	2,000,000
2029	2,000,000
2030	2,000,000
2031-2035	10,000,000
2036-2040	10,000,000
2041-2045	6,000,000
2046-2050	5,000,000
2051-2052	500,000
	<u>\$ 41,500,000</u>

UCFAH subleases the premises to private tenants who conduct clinical care and research activities within the premises. Each sublease has varying terms. Rental income under these sublease agreements totaled approximately \$2,544,000 and \$2,542,000 for the years ended June 30, 2025 and 2024, respectively. Future minimum lease commitments, representing future rental revenues, to UCFAH for all leases are as follows:

UCF ACADEMIC HEALTH, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

<u>Year Ending June 30,</u>	
2026	\$ 2,182,831
2027	2,275,534
2028	2,320,875
2029	2,358,407
2030	2,429,159
2031-2035	12,918,564
2036-2040	14,924,640
2041	1,974,440
	<u>\$ 41,384,450</u>

A summary of lease asset activity during the year ended June 30, 2025 and 2024, is as follows:

	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance at June 30, 2025</u>
Lease asset:					
Building	\$ 50,000,000	\$ -	\$ -	\$ -	\$ 50,000,000
Less accumulated amortization:					
Building	5,000,000	1,666,667	-	-	6,666,667
Total lease asset, net	<u>\$ 45,000,000</u>	<u>\$ (1,666,667)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,333,333</u>
	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance at June 30, 2024</u>
Lease asset:					
Building	\$ 50,000,000	\$ -	\$ -	\$ -	\$ 50,000,000
Less accumulated amortization:					
Building	3,333,334	1,666,666	-	-	5,000,000
Total lease asset, net	<u>\$ 46,666,666</u>	<u>\$ (1,666,666)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,000,000</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 \$52,741,312 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	\$ 52,741,312	\$ (37,604,312)

UCF ACADEMIC HEALTH, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2025 and 2024

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 confirmed that pre-opening losses for CFHS were to be considered HCA contributions. UCFAH's equity investment in CFHS was \$18,510,894 and \$14,984,791 as of June 30, 2025 and 2024, respectively. UCFAH reported gains of \$3,526,103 and \$862,348 during the years ended June 30, 2025 and 2024, respectively, related to its allocation of operating income of CFHS.

NOTE F--RELATED-PARTY TRANSACTIONS

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, 2025 and 2024, nothing was due to the UCF Board of Trustees.

As of June 30, 2025 and 2024, \$17,333 was due to Central Florida Clinical Practice Organization, Inc. (CFCPO) related to a payment received on CFCPO's behalf.

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--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, 2025, financial statements.

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, 2025; 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 September 17, 2025.

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
September 17, 2025