

Financial Statements

UCF Academic Health, Inc.

Years Ended June 30, 2026 and 2025

UCF ACADEMIC HEALTH, INC.

Table of Contents

Years Ended June 30, 2026 and 2025

Independent Auditor's Report....1

Management's Discussion and Analysis 4

Financial Statements

Statements of Net Position....10
Statements of Revenue, Expenses, and Changes in Net Position....11
Statements of Cash Flows....12
Notes to Financial Statements....13

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 19

PYA ACCOUNTANTS & ADVISORS

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, 2026 and 2025, 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, 2026 and 2025, 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.

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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 9 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 30, 2026, 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 30, 2026

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, 2026. 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 three 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 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 (the 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 beginning in mid-Fiscal Year 2025, 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. As of June 30, 2026, UCFAH has one short-term tenant with a lease term of three years and four long-term tenants with terms expiring between 2030 and 2041 in the UCF LNCC.

The third activity involves management of the Community Health Benefit Fund (CHBF), a program that supports a variety of community health initiatives and is funded through the joint venture with HCA. Under the operating agreement between UCFAH and HCA, CFHS contributes $500,000 annually to support these efforts. Because the hospital operates as a partnership between for-profit and nonprofit entities, it must satisfy Internal Revenue Service Schedule H (Form 990) community benefit reporting requirements. These requirements include conducting a Community Health Needs Assessment (CHNA) and developing an accompanying implementation plan to address identified community health priorities. To ensure transparency, accountability, and alignment with strategic community health objectives, the program is governed by the UCFAH board.

Calendar year 2026 marked the first year that Community Health Benefit Fund awards were distributed to selected recipients.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements provide information about UCFAH's financial position, results of operations, and cash flows. For financial reporting purposes, UCFAH is a special-purpose government organization engaged solely in business-type activities; thus, the financial statements are prepared on the accrual basis of accounting.

- **Statement of Net Position:** presents UCFAH's assets, liabilities, deferred inflows of resources, and net position at year-end. It provides a snapshot of the organization's financial condition and resources available to support future operations.

- **Statement of Revenues, Expenses, and Changes in Net Position:** reports revenues earned and expenses incurred during the year. The change in net position reported in this statement corresponds to the difference between beginning and ending net position shown in the Statement of Net Position.

- **Statement of Cash Flows:** summarizes cash receipts and payments during the year across operating, noncapital financing, capital and related financing, and investing activities. This explains the change in cash and cash equivalents reported on the Statement of Net Position.

FINANCIAL SUMMARY

The following is a summary of the financial performance of UCFAH, segregated by the Statements of Net Position; Statements of Revenue, Expenses, and Changes in Net Position; and Statements of Cash Flows.

Statements of Net Position:

	June 30,		*Increase/*	*Percent*
	2026	***2025***	***(Decrease)***	***Change***
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,261,152	$ 998,132	$ 263,020	26%
Accounts receivable	69,635	36,153	33,482	93%
Current portion of lease receivables	1,117,867	1,063,468	54,399	5%
Prepaid expenses and other current assets	22,687	20,267	2,420	12%
TOTAL CURRENT ASSETS	2,471,341	2,118,020	353,321	17%

	June 30, 2026	2025	Increase/ (Decrease)	Percent Change
LONG-TERM ASSETS:				
EQUITY INVESTMENT	22,384,252	18,510,894	3,873,358	21%
OTHER ASSETS				
Lease asset, net	41,666,667	43,333,333	(1,666,666)	-4%
Lease receivables - less current portion	29,278,643	30,589,190	(1,310,547)	-4%
TOTAL LONG-TERM ASSETS	93,329,562	92,433,417	896,145	1%
TOTAL ASSETS	$ 95,800,903	$ 94,551,437	$ 1,249,466	1%
CURRENT LIABILITIES				
Current portion of lease liability	$ 2,000,000	$ 2,000,000	$ -	0%
Accounts payable	-	18,138	(18,138)	-100%
Unearned revenue	185,974	156,669	29,305	19%
Security deposit liability	25,862	25,862	-	0%
Accrued expenses	27,580	28,275	(695)	-2%
Due to affiliate	101,999	17,333	84,666	488%
TOTAL CURRENT LIABILITIES	2,341,415	2,246,277	95,138	4%
LONG-TERM LIABILITIES				
Lease liability - less current portion	37,500,000	39,500,000	(2,000,000)	-5%
TOTAL LONG-TERM LIABILITIES	37,500,000	39,500,000	(2,000,000)	-5%
TOTAL LIABILITIES	39,841,415	41,746,277	(1,904,862)	-5%
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	25,961,329	27,904,103	(1,942,774)	-7%
TOTAL DEFERRED INFLOWS OF RESOURCES	25,961,329	27,904,103	(1,942,774)	-7%
NET POSITION:				
Unrestricted	$ 29,998,159	$ 24,901,057	$ 5,097,102	20%
TOTAL NET POSITION	$ 29,998,159	$ 24,901,057	$ 5,097,102	20%

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

	Year Ended June 30, 2026	2025	Increase/ (Decrease)	Percent Change
TOTAL OPERATING REVENUE	$ 3,642,715	$ 3,612,334	$ 30,381	1%
TOTAL OPERATING EXPENSES	2,476,292	2,469,869	6,423	0%
OPERATING INCOME	1,166,423	1,142,465	23,958	2%
NON-OPERATING INCOME	3,930,679	3,523,814	406,865	12%
INCREASE IN NET POSITION	5,097,102	4,666,279	430,823	9%
NET POSITION, BEGINNING OF YEAR	24,901,057	20,234,778	4,666,279	23%
NET POSITION, END OF YEAR	$ 29,998,159	$ 24,901,057	$ 5,097,102	20%

Statements of Cash Flows:

	Year Ended June 30, 2026	*2025*	*Increase/ (Decrease)*	*Percent Change*
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,201,691	$ 1,793,879	$ 407,812	23%
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	61,329	-	61,329	100%
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(2,000,000)	(2,000,000)	-	0%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	263,020	(206,121)	469,141	N/A
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	998,132	1,204,253	(206,121)	-17%
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,261,152	$ 998,132	$ 263,020	26%

DETAILED ANALYSES

A significant financial development for Fiscal Year 2026 was UCFAH's recognition of $3.9 million in equity earnings from UCF LNH, reflecting the hospital's continued financial improvement. These earnings increased the carrying value of UCFAH's investment to $22.4 million, compared with its original investment of $15.1 million.

Total assets were $95.8 million at the end of Fiscal Year 2026, an increase of $1.2 million. The increase is the net change of a $353 thousand increase in short-term assets and an $896 thousand increase in long-term assets.

- Current Assets totaled $2.5 million consisting primarily of $1.3 million in cash, an increase of $263 thousand over prior year, and $1.1 million in lease receivables. The increase in cash reflects a temporary decline in Fiscal Year 2025 resulting from the refund of ad valorem taxes that were not assessed by Orange County. Cash balances were $1.2 million in Fiscal Year 2024, decreased to $998 thousand in Fiscal Year 2025, and subsequently increased to $1.3 million in Fiscal Year 2026.

- The lease receivables represents the current portion of future billable lease payments due from existing tenant partners at the UCF LNCC.

- The equity investment of UCFAH in CFHS, which is included in long-term assets, increased by $3.9 million to $22.4 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 2026, UCFAH has recovered all its proportionate share of hospital start-up costs and has surpassed its initial investment of $15.1 million by $7.2 million.

- 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 $1.3 million. This decrease in other long-term assets offsets the equity investment increase, providing a net increase in total long-term assets of $896 thousand.

Total liabilities were $39.8 million at the end of Fiscal Year 2026, a decrease of $1.9 million. Deferred inflows of resources were $26 million, a decrease of $1.9 million.

- Current liabilities totaled $2.3 million, consisting primarily of $2 million related to the current portion of the lease liability payable to UCF. The remaining $341 thousand includes $186 thousand in unearned lease revenue received in advance from tenants, a tenant security deposit, accrued operating expenses, and $102 thousand due to Central Florida Clinical Practice Organization (CFCPO), a UCF-affiliated entity. The amount due to CFCPO relates to its role as the service provider for an HCA clinical network contract held by UCFAH and a CHBF award supporting the UCF Mobile Health Clinic. The UCF Mobile Health Clinic meets the criteria of the CHNA by providing preventative care, health screenings, and other essential healthcare services for underserved and vulnerable populations with limited access to care.

- Long-term liabilities and deferred inflows of resources reflect the long-term portion of the lease liability paid to UCF of $37.5 million and the deferred lease revenue of $26 million related to the tenant-partners at the UCF LNCC.

The total net position of UCFAH at the end of Fiscal Year 2026 is $30 million, an increase of $5.1 million over the prior year. Although labeled as unrestricted, $15.1 million is the cost of the land contribution to CFHS and is designated in its use to the equity investment. The increase in net position of $5.1 million is driven mostly by the recognition of a $3.9 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 $1.2 million after operating expenses.

Total operating revenue remained stable at $3.6 million, increasing by $30 thousand compared to prior year. Operating revenue consisted primarily of $2.9 million in recognized lease and interest income on capital leases along with $704 thousand in CAM and FF&E revenue. In addition, $47 thousand was recognized from electrical sub-meter billing revenue.

Total operating expenses also stayed relatively the same at $2.5 million. Operating expenses include lease amortization expense of $1.7 million and $681 thousand for CAM expense to cover building maintenance and operations related to the UCF LNCC building. The remaining $129 thousand includes information technology expense, financial audit expense, consulting expense for the community health needs assessment, and insurance expense. Total operating revenue of $3.6 million, less total operating expense of $2.5 million, provides net operating income of $1.2 million.

Non-operating income of $3.9 million mainly reflects UCFAH's minority interest portion of the net income reported by CFHS, the hospital joint venture. This revenue line also includes CHBF resources to cover the cost of the community health needs assessment, offset by a small capital lease adjustment. This, combined with $1.2 million in operating income, provides a positive change in net position of $5.1 million to $30 million for Fiscal Year 2026.

Net cash from operating activities was $2.2 million in Fiscal Year 2026, which consisted of $2.9 million in cash inflows from tenant leases minus cash outflows of CAM paid to UCF and payments to vendors totaling $728 thousand. Additional cash inflows of $61 thousand were received from the Community Health Benefit Fund to cover the costs of the community health needs assessment. There was a further decrease in cash of $2 million for lease payments made to UCF. Overall, the result was an increase in cash of $263 thousand.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

UCFAH's significant capital and long-term financing activity relates to its lease of space within the UCF Lake Nona Cancer Center. As of June 30, 2026, UCFAH reported a lease asset of $41.7 million and a corresponding lease liability of $39.5 million. During fiscal year 2026, principal payments on the lease liability totaled $2.0 million, reducing the outstanding liability from $41.5 million to $39.5 million.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

For Fiscal Year 2027, UCFAH expects its overall financial position to remain stable with minimal changes. UCF Lake Nona Hospital (UCF LNH) continues to perform well and is projected to achieve its budgeted earnings targets for the calendar year, supporting continued growth in UCFAH's equity investment. One development to monitor is the construction of a new hospital in the Lake Nona area that is expected to open later this year. While the potential impact on UCF LNH is unknown at this time, increased competition in the market could influence future patient volumes and financial performance.

At the UCF Lake Nona Cancer Center (UCF LNCC), lease revenue is expected to continue increasing by approximately 3% annually throughout the remaining term of the current lease agreements. Management anticipates that existing tenants will renew their leases, given their established presence within their respective specialties and the significant investments they have made in customizing and equipping their leased spaces. The long-term leases do not expire until 2031, while the sole short-term lease is scheduled for renewal in 2028 and represents only 2% of the rentable space allocated to UCFAH. Current five-year financial projections indicate that UCFAH will be able to meet its financial obligations even if the short-term lease space remains vacant for an extended period.

In Fiscal Year 2027, the Community Benefit Fund arrangement will be modified to transfer full administration and ownership of the fund to UCFAH. This change more accurately aligns the fund with its intended purpose and will enhance UCFAH's ability to track activity, monitor fund balances, and oversee the distribution of awards to recipients in a more efficient and transparent manner.

Financial Statements

UCF ACADEMIC HEALTH, INC.

Statements of Net Position

	June 30, 2026	June 30, 2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,261,152**	$ 998,132
Accounts receivable	**69,635**	36,153
Current portion of lease receivables	**1,117,867**	1,063,468
Prepaid expenses and other current assets	**22,687**	20,267
TOTAL CURRENT ASSETS	**2,471,341**	2,118,020
EQUITY INVESTMENT	**22,384,252**	18,510,894
OTHER ASSETS		
Lease asset, net	**41,666,667**	43,333,333
Lease receivables - less current portion	**29,278,643**	30,589,190
TOTAL LONG-TERM ASSETS	**93,329,562**	92,433,417
TOTAL ASSETS	**$ 95,800,903**	$ 94,551,437
CURRENT LIABILITIES		
Current portion of lease liability	**$ 2,000,000**	$ 2,000,000
Unearned revenue	**185,974**	156,669
Security deposit liability	**25,862**	25,862
Accrued expenses	**27,580**	28,275
Accounts payable	**-**	18,138
Due to affiliate	**101,999**	17,333
TOTAL CURRENT LIABILITIES	**2,341,415**	2,246,277
Lease liability - less current portion	**37,500,000**	39,500,000
TOTAL LIABILITIES	**39,841,415**	41,746,277
DEFERRED INFLOWS OF RESOURCES		
Deferred lease revenue	**25,961,329**	27,904,103
TOTAL DEFERRED INFLOWS OF RESOURCES	**25,961,329**	27,904,103
COMMITMENTS AND CONTINGENCIES - Note G		
NET POSITION:		
Unrestricted	**29,998,159**	24,901,057
TOTAL NET POSITION	**29,998,159**	24,901,057
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 95,800,903**	$ 94,551,437

UCF ACADEMIC HEALTH, INC.

Statements of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30,	
	2026	***2025***
OPERATING REVENUE:		
Commercial lease revenue	**$ 2,606,526**	$ 2,550,888
Interest income, net	**1,036,189**	1,061,446
TOTAL OPERATING REVENUE	**3,642,715**	3,612,334
OPERATING EXPENSES:		
Facility	**680,925**	712,489
Information technology	**3,000**	20,900
Professional services	**88,803**	36,046
Lease asset amortization	**1,666,666**	1,666,667
Other	**36,898**	33,767
TOTAL OPERATING EXPENSES	**2,476,292**	2,469,869
OPERATING INCOME	**1,166,423**	1,142,465
NON-OPERATING INCOME (EXPENSES):		
Gain on equity investment	**3,873,358**	3,526,103
Loss on lease termination	**(4,008)**	(2,289)
Affiliate revenue	**61,329**	-
TOTAL NON-OPERATING INCOME	**3,930,679**	3,523,814
INCREASE IN NET POSITION	**5,097,102**	4,666,279
NET POSITION, BEGINNING OF YEAR	**24,901,057**	20,234,778
NET POSITION, END OF YEAR	**$ 29,998,159**	$ 24,901,057

UCF ACADEMIC HEALTH, INC.

Statements of Cash Flows

	Year Ended June 30, 2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from rentals	**$ 2,929,766**	$ 2,582,611
Payments to suppliers and for operating expenses	**(131,816)**	(76,243)
Payments to affiliates	**(596,259)**	(712,489)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2,201,691**	1,793,879
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Distributions to affiliates	**(287,706)**	-
Receipts from affiliates	**349,035**	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**61,329**	**-**
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	**(2,000,000)**	(2,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**263,020**	(206,121)
CASH AND CASH EQUIVALENTS, beginning of year	**998,132**	1,204,253
CASH AND CASH EQUIVALENTS, end of year	**$ 1,261,152**	$ 998,132
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	**$ 1,166,423**	$ 1,142,465
Adjustments to reconcile operating income to net cash provided by operating activities:		
Lease asset amortization	**1,666,666**	1,666,667
Increase (decrease) in cash due to changes in:		
Accounts receivable	**(33,482)**	(1,403)
Lease receivables	**1,252,140**	592,244
Prepaid expenses and other current assets	**(2,420)**	(3,201)
Unearned revenue	**29,305**	56,420
Accrued expenses	**(695)**	10,379
Accounts payable	**(18,138)**	(271,962)
Due to affiliate	**84,666**	-
Deferred lease revenue	**(1,942,774)**	(1,397,730)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 2,201,691**	$ 1,793,879

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 Hospital 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 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:

- *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.

- *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, 2026 and 2025, 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, 2026.

Reclassifications: Certain 2025 amounts have been reclassified in the financial statements to conform to 2026 presentation.

NOTE C--CASH AND CASH EQUIVALENTS

Custodial Credit Risk: At June 30, 2026 and 2025, funds of approximately $1,261,000 and $998,000, 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, 2026 and 2025, UCFAH had deposits of approximately $1,011,000 and $748,000 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.

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, 2026 and 2025, is as follows:

	Balance at June 30, 2025	*Additions*	*Remeasurements*	*Deductions*	*Balance at June 30, 2026*	*Amounts Due Within One Year*
Lease liability	$ 41,500,000	$ -	$ -	$ (2,000,000)	$ 39,500,000	$ 2,000,000
Total	$ 41,500,000	$ -	$ -	$ (2,000,000)	$ 39,500,000	$ 2,000,000

	Balance at July 1, 2024	*Additions*	*Remeasurements*	*Deductions*	*Balance at June 30, 2025*	*Amounts Due Within One Year*
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

Future minimum lease payments for UCFAH are as follows:

Year Ending June 30,	
2027	$ 2,000,000
2028	2,000,000
2029	2,000,000
2030	2,000,000
2031	2,000,000
2032-2036	10,000,000
2037-2041	10,000,000
2042-2046	5,000,000
2047-2051	4,500,000
	$ 39,500,000

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 $2,559,000 and $2,544,000 for the years ended June 30, 2026 and 2025, respectively. Future minimum lease commitments, representing future rental revenues, to UCFAH for all leases are as follows:

Year Ending June 30,	
2027	$ 2,223,025
2028	2,289,715
2029	2,358,407
2030	2,429,159
2031	2,469,339
2032-2036	13,260,349
2037-2041	14,087,956
	$ 39,117,950

A summary of lease asset activity during the year ended June 30, 2026 and 2025, is as follows:

	Balance at June 30, 2025	*Additions*	*Remeasurements*	*Deductions*	*Balance at June 30, 2026*
Lease asset:					
Building	$ 50,000,000	$ -	$ -	$ -	$ 50,000,000
Less accumulated amortization:					
Building	6,666,667	1,666,666	-	-	8,333,333
Total lease asset, net	$ 43,333,333	$ (1,666,666)	$ -	$ -	$ 41,666,667

	Balance at July 1, 2024	*Additions*	*Remeasurements*	*Deductions*	*Balance at June 30, 2025*
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	$ 45,000,000	$ (1,666,667)	$ -	$ -	$ 43,333,333

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:

	Carrying Amount	*Fair Value*	*Difference*
Contributed assets	$ 15,137,000	$ 52,741,312	$ (37,604,312)

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 $22,384,252 and $18,510,894 as of June 30, 2026 and 2025, respectively. UCFAH reported gains of $3,873,358 and $3,526,103 for the years ended June 30, 2026 and 2025, 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, 2026 and 2025, nothing was due to the UCF Board of Trustees.

As of June 30, 2026 and 2025, $101,999 and $17,333, respectively, was due to Central Florida Clinical Practice Organization, Inc. (CFCPO). These related to a payment for the mobile clinic and a payment received on CFCPO's behalf.

Under the Operating Agreement of Central Florida Health Services, LLC (CFHS), funding is provided annually to support community health initiatives that address priorities identified through the Community Health Needs Assessment (CHNA) process and related implementation plans. UCFAH administers the Community Health Benefit Fund (CHBF) program and provides oversight of the evaluation, approval, monitoring, and distribution of funding in accordance with established governance procedures.

Management has concluded that UCFAH acts primarily in an administrative capacity with respect to CHBF resources. Accordingly, amounts received for CHBF activities that are designated for distribution to approved recipients are not recognized as revenue of UCFAH, and corresponding distributions are not recognized as expenses of UCFAH. Such funds are recognized as liabilities until distributed in accordance with approved CHBF awards and program requirements.

During the year ended June 30, 2026, UCFAH received $349,035 related to CHBF activities. Of this amount, $61,329 was utilized to conduct the community benefit needs assessment and was recognized as affiliate revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The remaining $287,706 represented funds administered by UCFAH on behalf of CHBF and was distributed to approved recipients in accordance with CHBF program requirements. These amounts were not recognized as revenue or expense by UCFAH.

As of June 30, 2026, UCFAH held $50,000 of CHBF funds that were transferred to the award recipient subsequent to year end. All other funding received was either utilized for the community benefit needs assessment or distributed to approved recipients for eligible community health initiatives.

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, 2026, financial statements.

Other Information

PYA ACCOUNTANTS & ADVISORS

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, 2026; the related statements of revenue, expenses, 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 30, 2026.

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

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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 30, 2026