



Item: AF: I-3e

AUDIT AND FINANCE COMMITTEE

Tuesday, February 19, 2013

SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS OF FAU DIRECT SUPPORT ORGANIZATIONS: FAU CLINICAL PRACTICE ORGANIZATION FINANCIAL REPORT FROM DATE OF INCEPTION, MAY 31, 2011, THROUGH JUNE 30, 2012.

PROPOSED COMMITTEE ACTION

Information only.

BACKGROUND INFORMATION

The audited financial statements of the FAU Clinical Practice Organization (FAU CPO) are presented to keep the Board of Trustees informed about the financial status of the Corporation. The audited financial statements are for the period ended June 30, 2012 and were presented to the FAU CPO Board of Directors on January 28, 2013.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

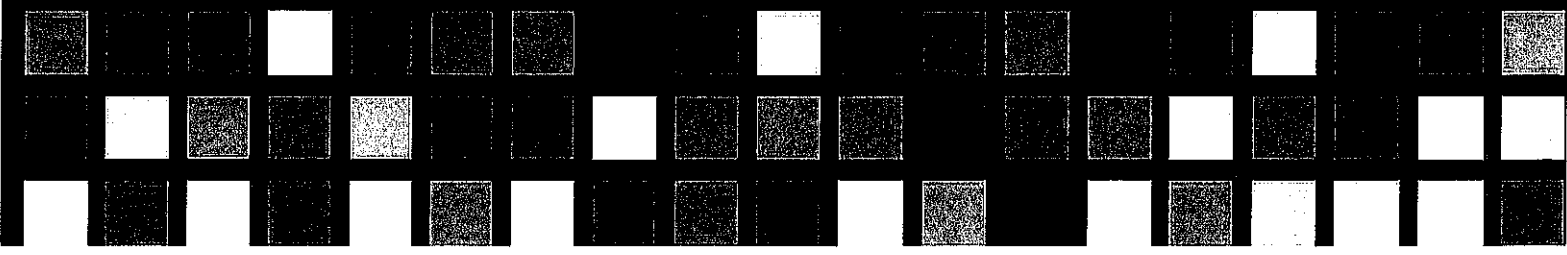
Supporting Documentation: FAU CPO Financial Report from Date of Inception, May 31, 2011, through June 30, 2012.

Presented by: Mr. Dennis Crudele, Senior Vice President-Financial Affairs
Mr. William Bartlett, Director, Practice Plan Management

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**FAU Clinical Practice
Organization, Inc.
(A component unit of Florida
Atlantic University)**

Financial Report
From Date of Inception (May 3, 2011) through June 30, 2012



McGladrey

Assurance = Tax = Consulting

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Independent Auditor's Report

To the Board of Directors
FAU Clinical Practice Organization, Inc.
Boca Raton, Florida

We have audited the accompanying financial statements of FAU Clinical Practice Organization, Inc. (the "Organization"), a direct support organization and component unit of Florida Atlantic University, as of June 30, 2012 and from the date of inception (May 3, 2011) through June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012, and the respective changes in financial position and its cash flows thereof from date of inception (May 3, 2011) through June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

McGladrey LLP

Fort Lauderdale, Florida
October 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the FAU Clinical Practice Organization, Inc. (hereafter "CPO"), a component unit of Florida Atlantic University (hereafter "University") from the period of inception May 3, 2011 through June 30, 2012, and 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, financial statements, and notes thereto, are the responsibility of the CPO's management. Pursuant to GASB Statement No. 35, the CPO's financial report includes three basic financial statements: the balance sheet; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

FINANCIAL HIGHLIGHTS

The CPO was incorporated on May 3, 2011 as a not-for-profit organization under Chapter 617, Florida Statutes. It was established to promote and support medical education, research and distribution of funds, exclusively for the support of the mission and objectives of the University, its Charles E. Schmidt College of Medicine, its Christine E. Lynn College of Nursing and other participating colleges or units within the University, in accordance with the University's College of Medicine Faculty Practice Plan and other faculty practice plans adopted by the University pursuant to Florida Board of Governor's Regulation 9.017.

The CPO's revenues totaled \$151 thousand from the date of inception through June 30, 2012, representing earnings on three clinical contracts. Expenses totaled \$62 thousand from the date of inception through June 30, 2012, representing operating expenses and bad debt expense in association with the direct operations of the CPO. Operating expenses are administrative expenses of the CPO. The University also provides personnel and administrative support to the CPO to aid in its operation. In the current year, personnel (salaries & wages) and administrative costs incurred by the University in connection with the clinical contracts were not charged to the CPO and are therefore not recognized in these financial statements.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information or requests for additional financial information should be addressed to the Stacey Semmel, Treasurer, FAU Clinical Practice Organization, 777 Glades Road, Boca Raton, Florida 33431.

FAU Clinical Practice Organization, Inc.

**Balance Sheet
June 30, 2012**

Assets

Current Assets:

Cash in bank	\$ 97,295
Accounts receivable, less allowance for doubtful accounts of \$54,167	-
Total assets	\$ 97,295

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 8,000
Due to University	70
Total liabilities	8,070

Net Assets:

Unrestricted net assets	89,225
Total net assets	89,225
Total liabilities and net assets	\$ 97,295

See Notes to Financial Statements.

FAU Clinical Practice Organization, Inc.

**Statement of Revenue, Expenses and Changes in Net Assets
From Date of Inception (May 3, 2011) through June 30, 2012**

Operating Revenues (expenses):	
Gross clinical practice revenue	\$ 151,667
Less: bad debt allowance	<u>54,167</u>
Net clinical practice revenue	97,500
Operating expenses	<u>(8,275)</u>
Total Operating Income	<u>89,225</u>
Change in net assets	89,225
Net assets:	
Beginning	-
Ending	<u>\$ 89,225</u>

See Notes to Financial Statements.

FAU Clinical Practice Organization, Inc.

Statement of Cash Flows
From Date of Inception (May 3, 2011) through June 30, 2012

Cash Flow From Operating Activities	
Cash received from customers	\$ 97,500
Cash received from the University	70
Cash paid to suppliers	<u>(275)</u>
Net increase in cash	97,295
Cash	
Beginning	-
Ending	<u>\$ 97,295</u>
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	\$ 89,225
Increase in accounts payable	<u>8,070</u>
Net cash provided by operating activities	<u>\$ 97,295</u>

See Notes to Financial Statements.

FAU Clinical Practice Organization, Inc.

Notes to Financial Statements

Note 1. Description and Nature of Organization and Significant Accounting Policies

On May 3, 2011, the FAU Clinical Practice Organization, Inc. (hereafter "CPO") was incorporated as a not-for-profit organization under Chapter 617, Florida Statutes. The CPO is a component unit of the Florida Atlantic University (the "University"), a part of the State university system of public universities. It was established to promote and support medical education, collection and distribution of funds, exclusively for the support of the mission and objectives of the University, its Charles E. Schmidt College of Medicine, its Christine E. Lynn College of Nursing, and other participating colleges or units within the University, in accordance with the University's College of Medicine Faculty Practice Plan and other faculty practice plans adopted by the University pursuant to Florida Board of Governor's Regulation 9.017. The governing body of the CPO is its Board of Directors (the "Board").

The Board is comprised of a maximum of eleven (11) directors who are responsible for managing, supervising and controlling the business, property, affairs and funds of the CPO. In the event of dissolution of the CPO, all remaining assets, after payment of CPO's debts, shall be for use only by the College of Medicine, the College of Nursing, or other participating colleges or units within the University, or if the University has ceased to exist, to such other organization or organizations that are exempt from federal income tax under Section 501(c)(3) of the Code as directed by the Board of Governors of the State of Florida. Consequently, the CPO meets the criteria for inclusion in the University's reporting entity as a component unit.

A summary of the CPO's significant accounting policies follows:

Basis of presentation: The CPO is engaged in a single business-type activity whose operations are primarily supported by user fees and charges. The principal statements were prepared in accordance with Government Accounting Standards Board ("GASB") codification section 2100, which establishes standards for defining and reporting of the financial reporting entity. The CPO maintains a proprietary fund which reports transactions related to activities similar to those found in the private sector. As such, the CPO presents only the statements required of enterprise funds, which include the balance sheets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The accounting and financial reporting treatments applied to a fund are determined by its measurement focus. The CPO's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The University has entered into clinical practice service agreements with third party medical health care facilities (hereafter "facilities"), whereby the University provides the facilities with medical staffing (doctors, medical students, nurses, etc.) to oversee certain educational, administrative, and clinical activities at the facilities, as determined by the parties and pursuant to the clinical practice service agreements. In accordance with the clinical practice service agreements, the facilities pay the University a fee for the medical staffing and services provided. The fees earned from these contracts will be assigned to and be recognized by the CPO.

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

FAU Clinical Practice Organization, Inc.

Notes to Financial Statements

**Note 1. Description and Nature of Organization and Significant Accounting Policies
(Continued)**

Cash: For purposes of the statements of cash flows, cash includes cash on deposit and cash on hand at the statement date.

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits that are in the possession of an outside party. It is the CPO's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Under Florida statutes, Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral equal to between 50% and 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, corporate bonds) to public deposits is dependent upon the depository institution's financial history and its compliance with Florida Statutes, Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Consistent with the CPO's policy, cash deposits are held by the CPO's custodial institution and registered in the CPO's name.

Accounts receivable: The balance represents any contracts in which services were rendered for clinical practice activities but not paid to the CPO by the end of the fiscal year. Allowances for doubtful accounts are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. The total receivable balance at year end is due from one facility and a 100% allowance has been recorded on the balance.

Expenses: Operating expenses are administrative expenses of the CPO. Bad debt expense is recorded for accounts receivable balances not considered collectible. The University also provides personnel and administrative support to the CPO to aid in its operation. In the current year, personnel (salaries & wages) and administrative costs incurred by the University in connection with the clinical practice service agreements are not charged to the CPO and are therefore not recognized in these financial statements.

Revenue: The facilities pay the CPO a fee for the medical staffing and services provided in connection with clinical practice service agreements. Revenues are recorded in the period that staffing and services are provided to the facilities, regardless of the timing of the related cash flows. The CPO's total net revenues of \$97,500 represent earnings on two clinical contracts, which consist of \$32,500 from Clinic 1 and \$65,000 from Clinic 2.