



Item: AC: I-2c

**AUDIT AND COMPLIANCE COMMITTEE**

**Tuesday, November 16, 2021**

**SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS OF FAU DIRECT SUPPORT ORGANIZATIONS: FAU CLINICAL PRACTICE ORGANIZATION FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021.**

---

**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, 2021 and were presented to the FAU CPO Board of Directors on October 25, 2021.

**IMPLEMENTATION PLAN/DATE**

Not applicable.

**FISCAL IMPLICATIONS**

Not applicable.

---

**Supporting Documentation:** FAU CPO Financial Report for the Year Ended June 30, 2021.

**Presented by:** Stacy Volnick, VP Administrative Affairs and CAO  
Auditors, Keefe McCullough & Partners

**Phone:** 561-297-3267

October 19, 2021

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

We have audited the financial statements of FAU Clinical Practice Organization, Inc. (the "Organization"), a direct support organization and component unit of the Florida Atlantic University (the "University"), for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 4, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices:*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Allowance for Doubtful Accounts: The Organization reports all trade and patient receivables at net realizable value. 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.
- Allowance for Contractual Adjustments: The Organization records patient service revenues at billing rates less allowances for contractual adjustments. Estimates of contractual allowances are based upon the payment terms specified in the related contractual agreements, which are based upon prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem arrangements, and other payment formulas.

Management's estimates appear reasonable and consistent in relation to the financial statements taken as a whole. Estimates are inherently subject to change, and such changes could be material to the financial statements.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit:*

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

*Corrected and Uncorrected Misstatements:*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any material misstatements as a result of our audit procedures.

*Disagreements with Management:*

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

*Management Representations:*

We have requested certain representations from management that are included in the management representation letter dated October 19, 2021.

*Management Consultations with Other Independent Accountants:*

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

*Other Audit Findings or Issues:*

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis (MD&A), which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of FAU Clinical Practice Organization, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

It has been our pleasure to serve as your independent auditors for this engagement. If we can be of additional service to you during the year, please call on us. We appreciate the opportunity to be of service to FAU Clinical Practice Organization, Inc.



KEEFE McCULLOUGH

FAU Clinical Practice  
Organization, Inc.  
(A Component Unit of  
Florida Atlantic University)

Financial Report  
For the Year Ended June 30, 2021



## Table of Contents

---

Independent Auditor's Report on the Financial Statements	1 - 2
Management's Discussion and Analysis (unaudited)	3
Financial Statements	
Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
Other Reports from Independent Auditors	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13 - 14

---

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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 (the "University"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

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

## Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements, in our report dated October 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### *Required Supplementary Information*

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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 19, 2021



## **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. (the "Organization"), a direct support organization and component unit of Florida Atlantic University (the "University") for the fiscal years ended June 30, 2021 and 2020, 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*, and as subsequently amended. The MD&A, and financial statements and notes thereto, are the responsibility of the FAU Clinical Practice Organization, Inc.'s management. Pursuant to GASB Statement No. 35, the Organization's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

### **FINANCIAL HIGHLIGHTS**

The Organization was incorporated on May 3, 2011 as a not-for-profit organization under Chapter 617, Florida Statutes, and is a component unit of Florida Atlantic University, a public university in the State university system. Its articles of incorporation were last amended and restated on September 29, 2021. It was established to promote and support medical education, research, and patient care, including the collection, receipt, management, administration 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 applicable Florida Board of Governor's Regulations or other governing laws, rules or regulations. The Board of Directors is the governing body of the Organization.

The Organization's revenues representing medical staffing and patient service totaled approximately \$4.7 million and \$ 4.5 million for the years ended June 30, 2021 and 2020, respectively. Expenses representing operating expenses associated with the direct operations of the Organization totaled approximately \$ 4.7 million and \$ 4.7 million for the years ended June 30, 2021 and 2020, respectively. Other operating expenses represent administrative expenses of the Organization, including but not limited to audit fees and supplies.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Treasurer, Clinical Practice Organization, Florida Atlantic University, 777 Glades Road, BC-71 239, Boca Raton, Florida 33431.

# FINANCIAL STATEMENTS



FAU Clinical Practice Organization, Inc.  
Statement of Net Position  
June 30, 2021  
(with comparative totals for 2020)

<b>Assets:</b>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash in bank	\$ 303,224	\$ 260,434
Accounts receivable, net	657,672	586,045
<b>Total assets</b>	<u>\$ 960,896</u>	<u>\$ 846,479</u>
 <b>Liabilities:</b>		
Current Liabilities:		
Accounts payable and other liabilities	\$ 11,670	\$ 11,600
Due to University	718,842	642,188
Unearned revenue	1,752	-
<b>Total liabilities</b>	<u>732,264</u>	<u>653,788</u>
 <b>Total unrestricted net position</b>	<u>228,632</u>	<u>192,691</u>
<b>Total liabilities and net position</b>	<u>\$ 960,896</u>	<u>\$ 846,479</u>

The accompanying notes to the financial statements are an integral part of these statements.

**FAU Clinical Practice Organization, Inc.**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2021**  
**(with comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Patient service revenue, net of contractual adjustments and provision for bad debts	\$ 943,706	\$ 975,728
Medical staffing revenue, net of provision for bad debts	<u>3,762,324</u>	<u>3,512,759</u>
<b>Total operating revenues</b>	<u>4,706,030</u>	<u>4,488,487</u>
<b>Operating Expenses:</b>		
Personnel costs	4,463,678	4,471,384
Contracted services	131,205	146,660
Other expenses	49,977	52,687
Insurance	12,932	18,617
Medical and lab supplies	<u>12,297</u>	<u>12,225</u>
<b>Total operating expenses</b>	<u>4,670,089</u>	<u>4,701,573</u>
<b>Operating income (loss)</b>	<u>35,941</u>	<u>(213,086)</u>
<b>Nonoperating Revenues:</b>		
Federal noncapital appropriations	-	46,997
<b>Total nonoperating revenues</b>	<u>-</u>	<u>46,997</u>
<b>Change in net position</b>	35,941	(166,089)
<b>Net Position:</b>		
Beginning of year	<u>192,691</u>	<u>358,780</u>
End of year	<u>\$ 228,632</u>	<u>\$ 192,691</u>

The accompanying notes to the financial statements are an integral part of these statements.

FAU Clinical Practice Organization, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2021  
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash Flow From Operating Activities:</b>		
Cash received from customers and patients	\$ 4,437,031	\$ 4,599,764
Cash paid to suppliers	(4,394,241)	(4,682,033)
<b>Net cash provided by (used in) operating activities</b>	<u>42,790</u>	<u>(82,269)</u>
<b>Cash Flow From Noncapital Financing Activities:</b>		
Federal noncapital appropriations	-	46,997
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>-</u>	<u>46,997</u>
<b>Net increase (decrease) in cash</b>	<u>42,790</u>	<u>(35,272)</u>
<b>Cash:</b>		
Beginning of year	260,434	295,706
End of year	<u>\$ 303,224</u>	<u>\$ 260,434</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>		
Operating income (loss)	\$ 35,941	\$ (213,086)
(Increase) decrease in accounts receivable, net	(71,627)	61,564
Increase (decrease) in accounts payable and other liabilities	70	400
Increase (decrease) in due to University	76,654	68,853
Increase (decrease) in unearned revenue	1,752	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 42,790</u>	<u>\$ (82,269)</u>

The accompanying notes to the financial statements are an integral part of these statements.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**  
**(with comparative totals for 2020)**

---

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

On May 3, 2011, the FAU Clinical Practice Organization, Inc. (the "Organization") was incorporated as a not-for-profit organization under Chapter 617, Florida Statutes. Its articles of incorporation were last amended and restated on September 29, 2021. The Organization is a direct support organization and 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, research, and patient care, including the collection, receipt, management, administration 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 applicable Florida Board of Governor's Regulations or other governing laws, rules or regulations. The governing body of the Organization is its Board of Directors (the "Board").

The Board is comprised of a maximum of fourteen (14) directors who are responsible for managing, supervising and controlling the business, property, affairs and funds of the Organization. In the event of dissolution of the Organization, all remaining assets, after payment of Organization'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 other entities that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as directed by the Board of Governors of the State of Florida. Consequently, the Organization meets the criteria for inclusion in the University's reporting entity as a component unit.

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

**Basis of presentation:** The Organization is engaged in a single business-type activity whose operations are primarily supported by user fees and charges paid to the University. 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 Organization maintains a proprietary fund which reports transactions related to activities similar to those found in the private sector. As such, the Organization presents only the statements required of enterprise funds, which include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

The statement of net position reports assets plus deferred outflows of resources; liabilities plus deferred inflows of resources; and the difference between them as net position. Net position represents the residual interest in the Organization's assets. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The Organization's net position is unrestricted as there are no current restrictions on the residual interest in the Organization's assets. The Organization considers restricted amounts to be spent first when both restricted and unrestricted net position is available unless there are legal documents/contracts that prohibit doing this.

The accounting and financial reporting treatments applied to a fund are determined by its measurement focus. The Organization'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.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**  
**(with comparative totals for 2020)**

---

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

**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, liabilities, deferred inflows/outflows, 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.

**Income taxes:** The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Date of management review:** Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 19, 2021, the date the financial statements were available to be issued.

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

**Expenses:** Operating expenses are administrative expenses of the University. The University also charges for medical personnel and medical administrative support (exclusive of overhead) provided to the Organization, to aid in its operations. Bad debt expense is recorded for accounts receivable balances not considered collectible and such amounts are netted against the related revenues on the financial statements.

Facilities and operational personnel are provided at no cost to the Organization by the University for the years ended June 30, 2021 and 2020.

**Revenues:**

Medical Staffing Revenue

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, 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 are assigned to and recognized by the Organization.

The University entered into various agreements on behalf of the College of Nursing ("CON") to provide medical staffing services performed by licensed nurse practitioners at clinics and health centers throughout Palm Beach County and the State of Florida.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**  
**(with comparative totals for 2020)**

---

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

The University on behalf of the College of Medicine (“COM”) has entered into various agreements to provide clinical staffing services by FAU faculty physicians at healthcare settings throughout Palm Beach County, Florida. The College of Medicine also has an Intra-FAU Service and Affiliation agreement with Florida Atlantic University Student Health Services.

All medical staffing services rendered are invoiced in accordance with the agreements. The Organization’s medical staffing revenues (net of bad debts) totaled \$ 3,762,324 (\$ 3,759,495 and \$ 2,829 for the College of Medicine and College of Nursing, respectively) and \$ 3,512,759 (\$ 3,512,447 and \$ 312 for the College of Medicine and College of Nursing, respectively) for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Patient Service Revenue

The University operates and provides medical services to patients at its Memory and Wellness Center (“MWC”), Community Health Center (“CHC”), FAUMedicine Faculty Practice (“FFP”), FAUMedicine Integrative Health Clinic (“FIH”) and Communications and Speech Disorders Clinic (“CSD”). Patient service revenues earned from operations are recorded based upon established billing rates less allowances for contractual adjustments. Revenues are based upon the estimated amounts due from the patients and third-party payers, including federal and state agencies (including Medicare and Medicaid programs), managed care health plans, commercial insurance companies, other community payer sources and employers.

The Organization opened a new site of service, FIH, in May 2020. The Integrative Health Clinic offers conventional and complementary approaches to health care and emphasizes treating the whole person instead of just one organ system. It is staffed by faculty (physicians) and staff of the College of Medicine. The site delivers outpatient services to residents of Boca Raton and surrounding communities.

The CCBH ceased clinical operations on December 31, 2019 and wrote off all remaining accounts receivable balances as of June 30, 2020.

The Organization opened a new site of service, CSD, in July 2020. CSD offers evaluation and speech therapy services. It is staffed by faculty and staff of the College of Education. The site delivers outpatient services to the residents of Boca Raton and surrounding communities.

The College of Nursing CHC was designated as a Health Resources & Services Administration (“HRSA”) Federally Qualified Health Center (“FQHC”) Look-Alike effective May 1, 2021. With this designation, the CHC was required to establish a community board and adhere to federal guidelines with stated purpose/expectations as well as comply with HRSA Health Center Program’s governance and composition requirements. As a FQHC Look-Alike, the CHC can be reimbursed higher Medicaid and Medicare rates than non-FQHC Look-Alike community health centers.

A HRSA FQHC Look-Alike health center’s purpose and expectations include but not limited to the following: serve a medically underserved area or population (“MUA”/“MUP”), operate a sliding fee schedule, and offer comprehensive primary and preventative healthcare services, including oral and behavioral services.



**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**  
**(with comparative totals for 2020)**

---

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

**Medicare:** Services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The University is reimbursed as determined by the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services. Such rates are adjusted annually as published.

During the year ended June 30, 2020, the Organization received \$ 46,997 in funds from the CARES ACT (Medicare Relief Payment). These funds were classified as nonoperating revenue on the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The funds were distributed among the Centers/Clinics as follows: MWC \$ 27,958, CCBH \$ 15,324, FFP \$ 2,658, and CHC \$ 1,057.

**Medicaid:** Services rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology. The University is reimbursed at an agreed-upon rate based on contract negotiations.

**Other payers:** The University has also entered into payment arrangements with certain commercial insurance carriers and other community payer sources. The basis for payment to the University under these arrangements includes prospectively determined rates and discounts from established charges.

The University on behalf of MWC, CHC, FFP, FIH, and CSD entered into multiple agreements related to its patient service revenue activities. The funds received under these agreements are applied as payments against outstanding patient accounts. The net patient service revenue received by the University is assigned to and recognized by the Organization.

The Organization's patient service revenue (net of contractual adjustments and provisions for bad debts) was \$ 943,706 and \$ 975,728 for the years ended June 30, 2021 and 2020, respectively.

The components of net patient service revenue for the years ended June 30, 2021 and 2020, respectively, are summarized as follows:

	Patient Service Revenue					Total 2021	Total 2020
	Memory and Wellness Center (MWC)	Community Health Center (CHC)	FAUMedicine Faculty Practice (FFP)	FAUMedicine Integrative Health Clinic (FIH)	Communications and Speech Disorders Clinic (CSD)		
Patient service revenue, gross	\$ 640,281	\$ 547,117	\$ 917,222	\$ 154,079	\$ 29,386	\$ 2,288,085	\$ 2,263,386
Contractual adjustments	(226,670)	(312,626)	(664,983)	(113,822)	(250)	(1,318,351)	(1,265,693)
	413,611	234,491	252,239	40,257	29,136	969,734	997,693
Provisions for bad debts	(2,937)	(1,168)	(17,537)	(3,245)	(1,141)	(26,028)	(21,965)
<b>Patient service revenue, net</b>	<b>\$ 410,674</b>	<b>\$ 233,323</b>	<b>\$ 234,702</b>	<b>\$ 37,012</b>	<b>\$ 27,995</b>	<b>\$ 943,706</b>	<b>\$ 975,728</b>

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**  
**(with comparative totals for 2020)**

---

**Accounts Receivable:**

Accounts receivable as of June 30, 2021 and 2020 are comprised of following:

Medical Staffing Accounts Receivable: The balance represents charges for medical staffing services provided prior to the end of the fiscal year but not yet collected. Allowances for doubtful accounts are recorded based on management’s best estimate as of the fiscal year end considering type, collection history, and other factors deemed appropriate. Accounts receivable (net of allowance for doubtful accounts) due from third parties for medical staffing services totaled \$ 528,920 and \$ 505,474 for fiscal years ended 2021 and 2020, respectively. There was no allowance for doubtful accounts for the fiscal year ended 2021, while the allowance for doubtful accounts totaled \$ 8,942 for the fiscal year ended 2020.

Patient Service Accounts Receivable: Patient receivables, where a patient or a third party is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payers. Accounts receivable (net of allowance for doubtful accounts) for patient services provided totaled \$ 128,752 and \$ 80,571 for the fiscal years ended 2021 and 2020, respectively. The allowance for doubtful accounts totaled \$ 29,131 and \$ 20,685 for the fiscal years ended 2021 and 2020, respectively.

Receivables include patients with insurance, self-pay/uninsured and, patients with deductible/copayment balances due for which third-party coverage exists for part of the bill. Management records an allowance for doubtful accounts in the period of service on the basis of its past experience.

The components of patient receivables for the years ended June 30, 2021 and 2020 are summarized as follows:

	Memory and Wellness Center (MWC)	Community Health Center (CHC)	FAUMedicine Faculty Practice (FFP)	FAUMedicine Integrative Health Clinic (FIH)	Communications and Speech Disorders Clinic (CSD)	Total 2021	Total 2020
Accounts receivable, net of contractual adjustments	\$ 60,542	\$ 43,532	\$ 36,973	\$ 8,206	\$ 8,630	\$ 157,883	\$ 101,256
Reserve for uncollectible accounts	(5,718)	(5,423)	(13,283)	(3,566)	(1,141)	(29,131)	(20,685)
<b>Total</b>	<b>\$ 54,824</b>	<b>\$ 38,109</b>	<b>\$ 23,690</b>	<b>\$ 4,640</b>	<b>\$ 7,489</b>	<b>\$ 128,752</b>	<b>\$ 80,571</b>

**Note 2. Cash**

**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 or will not be able to recover collateral securities that are in the possession of an outside party. It is the Organization’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.

**Note 2. Cash (continued)**

Eligible collateral 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.

**Note 3. Related Party Transactions**

At June 30, 2021, the net amount due to the University totaled \$ 718,842, representing \$ 76,118 in revenue/deposits pending to be transferred and \$ 794,960 in expenses paid on behalf of the Organization pending reimbursement. Comparatively, at June 30, 2020, the net amount due to the University totaled \$ 642,188, representing \$ 81,125 in revenue/deposits pending to be transferred and \$ 723,313 in expenses paid on behalf of the Organization pending reimbursement.

**Note 4. Risk Management**

The Organization is a protected entity under the Florida Atlantic University College of Medicine Self-Insurance Program.

**Note 5. Regulatory Compliance**

The Organization has no knowledge of any intended or pending investigation by any Federal or State agency regarding the Organization's claims for reimbursement for health services or any other matter of the Organization's compliance with applicable laws and regulations.

**Note 6. Uncertainties**

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event, if any, may have on the Organization's financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

OTHER REPORTS FROM  
INDEPENDENT AUDITORS



INDEPENDENT AUDITOR'S 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of FAU Clinical Practice Organization, Inc. (the "Organization"), a direct support organization and component unit of Florida Atlantic University (the "University"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 19, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CPA's + Trusted Advisors

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 19, 2021