

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF  
MEDICINE SELF-INSURANCE PROGRAM**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
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JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Governing Council,  
Florida Atlantic University College of Medicine Self-Insurance Program:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program (the "Program"), an operating unit of the Florida Board of Governors, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Program's 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 Program as of June 30, 2019 and 2018, 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.

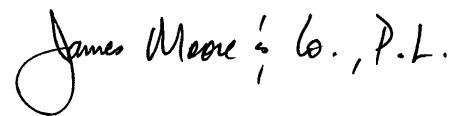
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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 August 19, 2019 on our consideration of the Program'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 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 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 Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looping initial "J".

Gainesville, Florida  
August 19, 2019

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018**

This discussion provides an assessment by management of the current financial position and results of operations for Florida Atlantic University College of Medicine Self-Insurance Program (the "Program"). Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying financial statements and notes to the financial statements.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Program's basic financial statements, which consists of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The *statements of net position* present information on all of the Program's assets and liabilities, with the difference between the two reported as the total net position. Increases or decreases in the reported net position may serve as a useful indicator of the Program's financial position.

The *statements of revenues, expenses, and changes in net position* present information showing how the Program's revenues and expenses affected the total net position during the current year. All revenues and expenses are recorded as soon as they have been incurred, regardless of the timing of related cash flows.

The *statements of cash flows* present information regarding the cash receipts and payments that occurred throughout the year. The statements show the cash effects of operating, investing, and financing transactions during a given period.

**Summary of Net Position**

	2019	2018	2018-2019		2017	2017-2018	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
<b>Assets</b>							
Cash and cash equivalents	\$ 1,652,276	\$ 1,833,455	\$ (181,179)	(9.88)%	\$ 1,021,892	\$ 811,563	79.42%
Investments, at fair value	4,830,433	3,571,358	1,259,075	35.25%	2,957,361	613,997	20.76%
Premiums and other receivables	-	12,412	(12,412)	(100.00)%	-	12,412	100.00%
<b>Total Assets</b>	<b>6,482,709</b>	<b>5,417,225</b>	<b>1,065,484</b>	<b>19.67%</b>	<b>3,979,253</b>	<b>1,437,972</b>	<b>36.14%</b>
<b>Liabilities</b>							
Unpaid losses and loss adjustment expenses	634,102	579,897	54,205	9.35%	380,477	199,420	52.41%
Accounts payable and accrued expenses	758	4,278	(3,520)	(82.28)%	24,704	(20,426)	(82.68)%
<b>Total Liabilities</b>	<b>634,860</b>	<b>584,175</b>	<b>50,685</b>	<b>8.68%</b>	<b>405,181</b>	<b>178,994</b>	<b>44.18%</b>
<b>Net Position</b>	<b>5,847,849</b>	<b>4,833,050</b>	<b>1,014,799</b>	<b>21.00%</b>	<b>3,574,072</b>	<b>1,258,978</b>	<b>35.23%</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 6,482,709</b>	<b>\$ 5,417,225</b>	<b>\$ 1,065,484</b>	<b>19.67%</b>	<b>\$ 3,979,253</b>	<b>\$ 1,437,972</b>	<b>36.14%</b>

**Assets**

Cash and cash equivalents decreased \$181,179 and investments increased \$1,259,075 during this period. Even though an additional year's primary premium was collected, the Council agreed at the September 27, 2018 meeting to transfer \$1,000,000 of the bank balance received for additional capitalization to the Vanguard investment accounts.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018  
(Continued)**

**Liabilities**

Unpaid losses and loss adjustment expenses increased \$70,212 during this period largely due to new expense reserves established for future losses on two matters during the current fiscal year.

**Summary of Revenues, Expenses, and Changes in Net Position**

	2019	2018	2018-2019		2017	2017-2018	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
<b>Operating Revenue</b>							
Earned premiums, net	\$ 1,253,676	\$ 854,443	\$ 399,233	46.72%	\$ 530,969	\$ 323,474	60.92%
Investment income	280,658	119,615	161,043	134.63%	153,943	(34,328)	(22.30)%
Total operating revenues	<b>1,534,334</b>	<b>974,058</b>	<b>560,276</b>	<b>57.52%</b>	<b>684,912</b>	<b>289,146</b>	<b>42.22%</b>
<b>Operating Expenses</b>							
Losses and loss adjustment expenses	165,001	438,999	(273,998)	(62.41)%	264,200	174,799	66.16%
General and administrative expenses	354,534	276,081	78,453	28.42%	177,983	98,098	55.12%
Total operating expenses	<b>519,535</b>	<b>715,080</b>	<b>(195,545)</b>	<b>(27.35)%</b>	<b>442,183</b>	<b>272,897</b>	<b>61.72%</b>
<b>Increase (decrease) in net position</b>	1,014,799	258,978	755,821	291.85%	242,729	16,249	6.69%
<b>Net position, beginning of year</b>	4,833,050	3,574,072	1,258,978	35.23%	3,331,343	242,729	7.29%
<b>Capital contribution</b>	-	1,000,000	(1,000,000)	(100.00)%	-	1,000,000	100.00%
<b>Net position, end of year</b>	<b>\$ 5,847,849</b>	<b>\$ 4,833,050</b>	<b>\$ 1,014,799</b>	<b>21.00%</b>	<b>\$3,574,072</b>	<b>\$ 1,258,978</b>	<b>35.23%</b>

Total operating revenues increased 57.52% during this period. This is largely due to the maturation of the Program and also the increase of approximately 33 residents for last year's submission to the actuary.

Total operating expenses decreased 27.35% during this period. The decrease is due to significant claim matter that closed during the previous fiscal year that had both outstanding indemnity and expense reserves associated with it. Although there are matters with expense reserves associated with them for the current fiscal year, there are none with significant indemnity reserves associated with them.

**Next Year**

If premiums increase, they will increase consistently with the projected growth for the FAU College of Medicine and other FAU participants. Operating expenses should remain closely related to the Program's size, volume of activity, and other adjustments consistent with the rate of future growth.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018  
(Continued)**

**Contacting Management**

This financial narrative is designed to provide the reader with a general overview of the Florida Atlantic University College of Medicine Self-Insurance Program finances. If you have questions about this report or need additional information, please contact:

FAU College of Medicine Self-Insurance Program  
PO Box 112735  
Gainesville, FL 32611  
(352) 273-7006

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
STATEMENTS OF NET POSITION  
JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,652,276	\$ 1,833,455
Investments, at fair value	4,830,433	3,571,358
Premiums and other receivables	-	12,412
Total Assets	6,482,709	5,417,225
<b>Liabilities</b>		
Unpaid losses and loss adjustment expenses	634,102	579,897
Accounts payable and accrued expenses	758	4,278
Total liabilities	634,860	584,175
<b>Net Position</b>		
Net position - unrestricted	\$ 5,847,849	\$ 4,833,050

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



**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
Earned premiums, net	\$ 1,253,676	\$ 854,443
Investment income	280,658	119,615
Total operating revenues	<u>1,534,334</u>	<u>974,058</u>
<b>Operating Expenses</b>		
Losses and loss adjustment expenses	165,001	438,999
General and administrative	354,534	276,081
Total operating expenses	<u>519,535</u>	<u>715,080</u>
<b>Increase in net position</b>	<u>1,014,799</u>	<u>258,978</u>
<b>Net position, beginning of year</b>	4,833,050	3,574,072
<b>Capital contributions</b>	-	1,000,000
<b>Net position, end of year</b>	<u><u>\$ 5,847,849</u></u>	<u><u>\$ 4,833,050</u></u>

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

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Revenue collected:		
Earned premiums	\$ 1,253,676	\$ 854,443
Investment income	102,826	75,854
Miscellaneous contributions receivable	12,412	(12,412)
Payments for expenses:		
Losses and loss adjustment expenses, net	(110,796)	(239,579)
General and administrative expenses	(358,054)	(296,507)
Net cash provided by operating activities	<u>900,064</u>	<u>381,799</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,090,243)	(619,236)
Proceeds on sale of investments	9,000	49,000
Net cash used in investing activities	<u>(1,081,243)</u>	<u>(570,236)</u>
<b>Cash flows from financing activities</b>		
Capital contribution	<u>-</u>	<u>1,000,000</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(181,179)	811,563
<b>Cash and cash equivalents, beginning of year</b>	1,833,455	1,021,892
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,652,276</u>	<u>\$ 1,833,455</u>
<b>Reconciliation of increase in net position to net cash provided by operating activities:</b>		
Increase in net position	<u>\$ 1,014,799</u>	<u>\$ 258,978</u>
Adjustments to reconcile increase in net position to net cash provided by operating activities:		
Net increase in fair value of investments	(166,220)	(32,768)
Net realized gains on sales of investments	(11,612)	(10,993)
Changes in assets and liabilities:		
Miscellaneous contributions receivable	12,412	(12,412)
Accounts payable and accrued expenses	(3,520)	(20,426)
Unpaid losses and loss adjustment expenses	54,205	199,420
Total adjustments	<u>(114,735)</u>	<u>122,821</u>
Net cash provided by operating activities	<u>\$ 900,064</u>	<u>\$ 381,799</u>

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

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

(1) **Organization and Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Florida Atlantic University Self-Insurance Program (the “Program”), which affect significant elements of the accompanying financial statements:

(a) **Organization**—The Florida Board of Governors (the “Board”), pursuant to Section 1004.24, created the Florida Atlantic University (“FAU” or the “University”) College of Medicine Self-Insurance Program (the “Program”). The Program’s purpose is to provide comprehensive general liability, including professional liability (malpractice) coverage for the educational, research and service programs of the FAU College of Medicine and College of Nursing, and FAU Student Health Services, FAU Counseling and Psychological Services, FAU College of Education and FAU Clinical Practice Organization, Inc.

The Program’s Council administers the Program as authorized by Board Rule 10.001 (Self Insurance Programs). The Program is an operating unit of the Board. The Program is a component unit (for accounting purposes only) of FAU. The net position of the program can only be used to pay claims and administrative expenses of the Program, based upon Florida Statute 1004.24(3).

From inception to October 1, 2011, the Program provided the Board and the Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and this student professional liability coverage may be increased subject to a \$1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of Trustees while such employee or agent functions within the course and scope of his or her employment or agency; and \$250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. In response to the Florida Legislature increasing the limits of liability contained in s. 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to \$200,000 per claim and \$300,000 for all claims arising from a single occurrence. On May 14, 2014, the limits of student coverage were revised to \$1,000,000 per occurrence. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

In 1994, the then Board of Regents promulgated Rule 6C-10.001(4) of the Florida Administrative Code (now Board of Governors Regulation 10.001(2)), which authorized the formation of the Healthcare Education Insurance Company (“HEIC”). HEIC is wholly owned by the Board and is domiciled in Vermont. HEIC writes coverage for the participants in the Program for loss exposure above the Program’s retention. HEIC obtains excess loss reinsurance coverage (claims-made basis) from commercial insurance carriers for certain layers of exposure.

(b) **Basis of reporting**—The financial statements of the Program have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under these methods, revenues are recorded when earned and expenses are recognized when they are incurred.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE**  
**SELF-INSURANCE PROGRAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

(1) **Organization and Significant Accounting Policies:** (Continued)

The Program distinguishes operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated from the primary operations of the Program, including investment income. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Program. All other expenses are reported as non-operating expenses. For the years ended June 30, 2019 and 2018, all revenues and expenses of the Program were considered to be operating revenues and operating expenses.

The Program follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, an amendment of GASB Statement No. 34 for public colleges and universities to allow the use of the guidance for special-purpose governments engaged only in business-type activities, engaged only in government activities, or engaged in both governmental and business-type activities in their separately issued reports.

The Program is not regulated by the Florida Office of Insurance Regulation and, accordingly, does not report on the basis of statutory accounting principles.

(c) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash, money market funds, and demand deposits with original maturity dates of 90 days or less when purchased.

The Program has demand deposits held at financial institutions that are secured up to FDIC limits. Amounts over FDIC limits are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$1,658,886 and \$1,834,277 as of June 30, 2019 and 2018, respectively.

(d) **Investments**—Investment transactions are accounted for on a trade date basis. The cost of investments sold is determined by specific identification. The Program does not have any derivative investments.

The Program's governing council has adopted an investment policy that identifies various authorized investment instruments, issuer diversification, and liquidity parameters. The Program may be invested with no limitation in any security described in either Section 17.57(2) or Section 215.47(1), Florida Statutes. Subject to the investment percentage limitations described therein, the Program may be invested in the securities described in Section 215.47(2), (3), (4), (5), and (6), Florida Statutes. All holdings of investment must be of sufficient size in issues actively traded to ensure marketability and liquidity to facilitate transactions at minimum cost and to permit accurate market valuations.

(e) **Premiums**—Premiums written directly are earned ratably over the terms of the underlying policies. All renewal policies are written for a one-year term and expire on June 30 of each year.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE**  
**SELF-INSURANCE PROGRAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

(1) **Organization and Significant Accounting Policies:** (Continued)

(f) **Reserves for losses and loss adjustment expenses**—The reserves for unpaid losses and loss adjustment expenses ("LAE") include case basis estimates of reported losses, plus supplemental amounts for incurred but not reported losses ("IBNR") calculated based upon loss projections utilizing certain actuarial assumptions and studies of the Program's historical loss experience and industry statistics. Management believes that its aggregate liability for unpaid losses and LAE at year-end represents its best estimate of the amount necessary to cover the ultimate cost of claims based upon an actuarial analysis prepared by a consulting actuary. Considerable uncertainty and variability are inherent in such estimates, and accordingly, the subsequent development of these reserves may not conform to the assumptions inherent in the determination. In addition, both general and medical professional liability are long-tail lines of insurance subject to considerable loss variability attributable to social, economic and legal considerations that are not directly quantifiable. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

(g) **Income taxes**—The Program is an operating unit of the Board of Governors, the State University System of Florida. Accordingly, the Program is exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes paid, if any, are paid by the University.

(h) **Use of 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, accordingly, results could differ from those estimates.

(2) **Investments:**

The Program's investments are recorded at fair value and consist entirely of investments in mutual funds at June 30, 2019 and 2018.

Equity mutual fund investments consist of shares owned in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund. Bond mutual fund investments consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund.

The Program categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Entity has the following recurring fair value measurements as of June 30, 2019 and 2018:

- *Mutual funds* – Valued at the daily closing price as reported by the fund. Mutual funds held by the Program are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Program are deemed to be actively traded.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

(2) **Investments:** (Continued)

The following table summarizes the assets and liabilities of the Program for which fair values are determined on a recurring basis as of June 30, 2019 and 2018, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2018</b>				
<b>Investments</b>				
Equity mutual funds				
Domestic equity funds	\$ 998,461	\$ -	\$ -	\$ 998,461
Global equity funds	489,464	-	-	489,464
Total equity mutual funds	<u>1,487,925</u>	<u>-</u>	<u>-</u>	<u>1,487,925</u>
Bond mutual funds				
Short term bond funds	2,657,266	-	-	2,657,266
Intermediate term bond funds	685,242	-	-	685,242
Total bond mutual funds	<u>3,342,508</u>	<u>-</u>	<u>-</u>	<u>3,342,508</u>
Total investments at fair value	<u>\$ 4,830,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,830,433</u>
<b>June 30, 2017</b>				
<b>Investments</b>				
Equity mutual funds				
Domestic equity funds	\$ 725,044	\$ -	\$ -	\$ 725,044
Global equity funds	340,102	-	-	340,102
Total equity mutual funds	<u>1,065,146</u>	<u>-</u>	<u>-</u>	<u>1,065,146</u>
Bond mutual funds				
Short term bond funds	2,008,352	-	-	2,008,352
Intermediate term bond funds	497,860	-	-	497,860
Total bond mutual funds	<u>2,506,212</u>	<u>-</u>	<u>-</u>	<u>2,506,212</u>
Total investments at fair value	<u>\$ 3,571,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,571,358</u>

The following risks apply to the Program's investments:

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program's investments in bond mutual funds are subject to interest rate risk. The effective average duration of The Programs investments in bond mutual funds as of June 30, 2019 range from 2.63 years to 6.12 years.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. At June 30, 2019, the Program held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below. These are all considered investment grade quality.

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A/Ba</u>	<u>Less Than A/Ba or Not Rated</u>
Bond mutual funds	\$ 3,342,508	\$ -	\$ 2,657,266	\$ 685,242	\$ -

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

(2) **Investments:** (Continued)

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the Program and are not registered in the Program's name. The Program has not identified any investments falling into this category as of June 30, 2019.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Program's investments in a single issuer. The Program places no limit on the amount it may invest in any one issuer. Investments that consist of more than 5% of the Program's investments at June 30, 2019 are shown below.

	<u>Fair Value</u>	<u>Percent of Program's Total Investments</u>
Vanguard International Stock Index Fund	\$ 489,464	10%
Vanguard Total Stock Market Index Fund	998,461	21
Vanguard Short-Term Bond Index Fund	2,657,266	55
Vanguard Intermediate Term Bond Index Fund	685,242	14
	<u>\$ 4,830,433</u>	<u>100%</u>

The Program's formal investment policy in place does not specifically address any of the types of risks identified above.

(3) **Insurance Activity:**

Premium activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	<u>Direct</u>	<u>Ceded</u>	<u>Net</u>
<b>June 30, 2019</b>			
Premiums written	\$ 1,302,509	\$ 48,833	\$ 1,253,676
Premiums earned	<u>\$ 1,302,509</u>	<u>\$ 48,833</u>	<u>\$ 1,253,676</u>
<b>June 30, 2018</b>			
Premiums written	\$ 903,276	\$ 48,833	\$ 854,443
Premiums earned	<u>\$ 903,276</u>	<u>\$ 48,833</u>	<u>\$ 854,443</u>

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

(3) **Insurance Activity:** (Continued)

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE:

	<u>2019</u>	<u>2018</u>
<b>Balances at July 1</b>	\$ 579,897	\$ 380,477
Incurred related to:		
Current year	294,001	289,999
Prior years	<u>(129,000)</u>	<u>149,000</u>
Total incurred losses and LAE	<u>165,001</u>	<u>438,999</u>
Paid related to:		
Current year	305	415
Prior years	<u>110,491</u>	<u>239,165</u>
Total paid losses and LAE	<u>110,796</u>	<u>239,580</u>
<b>Balances at June 30</b>	<u>\$ 634,102</u>	<u>\$ 579,897</u>

The estimate of the liability for losses and loss adjustment expenses by loss year is subject to change until all claims for each loss year are closed. As a result of changes in estimates and insured events in prior years, the net loss and loss adjustment expenses incurred increased due to refinements to prior years' ultimate loss projections.

The components of the liability for gross losses and LAE are as follows:

	<u>2019</u>	<u>2018</u>
Case-basis reserves	\$ 113,361	\$ 63,360
Supplemental reserves	520,741	516,537
Total	<u>\$ 634,102</u>	<u>\$ 579,897</u>

(4) **Related Party Transactions:**

The total fees charged to the Program were \$324,795 and \$251,943 for the years ended June 30, 2019 and 2018, respectively for administrative services for FAU assigned Self-Insurance Program staff paid through the UF Self-Insurance Program pay agent.

The Program provides liability protection to the Trustees acting on behalf of the FAU College of Medicine, College of Nursing, and the FAU Health Services. Total net earned premiums for the year ended June 30, 2019 and 2018 of \$1,253,676 and \$854,443, respectively, are all associated with these related entities.

The Program utilizes HEIC to access excess coverage for medical professional liability, patient general liability, managed care errors and omissions liability in excess of the retained \$1,000,000 per occurrence on a claims-made basis as follows: \$5,000,000 each loss and in the aggregate for FAU SIP and \$15,000,000 in the aggregate for FIU, FAU, UCF, and FSU SIPs combined for the periods ended June 30, 2019 and June 30, 2018. Total ceded premiums paid for the years ended June 30, 2019 and 2018 were \$48,833.



**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 Governing Council,  
Florida Atlantic University College of Medicine Self-Insurance Program:

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 the Florida Atlantic University College of Medicine Self-Insurance Program (the “Program”) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program’s basic financial statements, and have issued our report thereon dated August 19, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Program’s internal control over financial reporting (internal control) to determine the 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 Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Program’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.

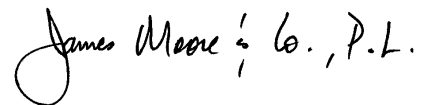
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Program's financial statements are free of 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 determination of financial statement amounts. 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.

James Moore & Co., P.L.

Gainesville, Florida  
August 19, 2019