

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

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
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JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

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, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

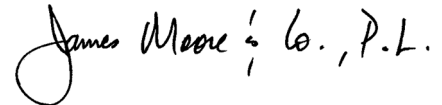
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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 26, 2022 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, looped initial "J".

Gainesville, Florida
August 26, 2022

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

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 are 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

			2021-2022				2020-2021	
	2022	2021	Increase (Decrease)	Percent Change	2020	Increase (Decrease)	Percent Change	
Assets								
Cash and cash equivalents	\$ 1,684,208	\$ 1,736,359	\$ (52,151)	(3.00)%	\$ 1,166,553	\$ 569,806	48.85%	
Investments, at fair value	7,683,896	7,745,370	(61,474)	(0.79)%	6,524,962	1,220,408	18.70%	
Premiums and other receivables	103	357	(254)	(71.15)%	-	357	100.00%	
Total Assets	9,368,207	9,482,086	(113,879)	(1.20)%	7,691,515	1,790,571	23.28%	
Liabilities								
Unpaid losses and loss adjustment expenses	1,155,299	1,184,508	(29,209)	(2.47)%	754,679	429,829	56.96%	
Accounts payable and accrued expenses	5,198	13,505	(8,307)	(61.51)%	21,341	(7,836)	(36.72)%	
Total Liabilities	1,160,497	1,198,013	(37,516)	(3.13)%	776,020	421,993	54.38%	
Net Position	8,207,710	8,284,073	(76,363)	(0.92)%	6,915,495	1,368,578	19.79%	
Total Liabilities and Net Position	\$ 9,368,207	\$ 9,482,086	\$ (113,879)	(1.20)%	\$ 7,691,515	\$ 1,790,571	23.28%	

Assets

Cash and cash equivalents decreased \$52,151 and Investments decreased \$61,474 during this period. Although the Council agreed at the October 5, 2021 meeting to transfer \$750,000 of the bank balance received from premium revenue to the Vanguard investment accounts, the decrease in overall investments is attributed to the overall lackluster performance of the markets related primarily to the Federal Reserve's decision to increase interest rates.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)**

Liabilities

Unpaid losses and loss adjustment expenses decreased \$29,209 during this period largely due to the resolution of significant matters during the current fiscal year.

Summary of Revenues, Expenses, and Changes in Net Position

	2022	2021	2021-2022		2020	2020-2021	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Operating Revenue							
Earned premiums, net	\$ 1,355,805	\$ 1,280,785	\$ 75,020	5.86%	\$ 1,223,653	\$ 57,132	4.67%
Investment income (loss)	(798,410)	943,343	(1,741,753)	(184.64)%	467,259	476,084	101.89%
Total operating revenues	<u>557,395</u>	<u>2,224,128</u>	<u>(1,666,733)</u>	<u>(74.94)%</u>	<u>1,690,912</u>	<u>533,216</u>	<u>31.53%</u>
Operating Expenses							
Losses and loss adjustment expenses	265,408	514,667	(249,259)	(48.43)%	263,616	251,051	95.23%
General and administrative expenses	368,350	340,883	27,467	8.06%	359,650	(18,767)	(5.22)%
Total operating expenses	<u>633,758</u>	<u>855,550</u>	<u>(221,792)</u>	<u>(25.92)%</u>	<u>623,266</u>	<u>232,284</u>	<u>37.27%</u>
Increase (decrease) in net position	<u>(76,363)</u>	<u>1,368,578</u>	<u>(1,444,941)</u>	<u>(105.58)%</u>	<u>1,067,646</u>	<u>300,932</u>	<u>28.19%</u>
Net position, beginning of year	8,284,073	6,915,495	1,368,578	19.79%	5,847,849	1,067,646	18.26%
Net position, end of year	<u>\$ 8,207,710</u>	<u>\$ 8,284,073</u>	<u>\$ (76,363)</u>	<u>(0.92)%</u>	<u>\$ 6,915,495</u>	<u>\$ 1,368,578</u>	<u>19.79%</u>

Total operating revenues decreased \$1,666,733 during this period. This is primarily due to the overall slow performance of the markets related in part to the Federal Reserve's decision to increase interest rates for the first time since 2018.

Total operating expenses decreased \$221,792 during this period. The decrease is due to the resolution of two significant matters during the current fiscal year.

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, 2022 AND 2021
(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, 2022 AND 2021**

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,684,208	\$ 1,736,359
Investments, at fair value	7,683,896	7,745,370
Premiums and other receivables	103	357
Total assets	9,368,207	9,482,086
Liabilities		
Unpaid losses and loss adjustment expenses	1,155,299	1,184,508
Accounts payable and accrued expenses	5,198	13,505
Total liabilities	1,160,497	1,198,013
Net Position		
Net position - unrestricted	\$ 8,207,710	\$ 8,284,073

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, 2022 AND 2021**

	2022	2021
Operating Revenues		
Earned premiums, net	\$ 1,355,805	\$ 1,280,785
Investment income (loss)	(798,410)	943,343
Total operating revenues	557,395	2,224,128
Operating Expenses		
Losses and loss adjustment expenses	265,408	514,667
General and administrative	368,350	340,883
Total operating expenses	633,758	855,550
Change in net position	(76,363)	1,368,578
Net position, beginning of year	8,284,073	6,915,495
Net position, end of year	\$ 8,207,710	\$ 8,284,073

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, 2022 AND 2021**

	2022	2021
Cash flows from operating activities		
Revenue collected:		
Earned premiums	\$ 1,356,059	\$ 1,280,428
Investment income	137,322	125,762
Payments for expenses:		
Losses and loss adjustment expenses, net	(294,617)	(84,838)
General and administrative expenses	(376,657)	(348,719)
Net cash provided by operating activities	822,107	972,633
 Cash flows from investing activities		
Purchases of investments	(1,099,258)	(1,102,827)
Proceeds on sale of investments	225,000	700,000
Net cash used in investing activities	(874,258)	(402,827)
 Net increase (decrease) in cash and cash equivalents	(52,151)	569,806
 Cash and cash equivalents, beginning of year	1,736,359	1,166,553
 Cash and cash equivalents, end of year	\$ 1,684,208	\$ 1,736,359
 Reconciliation of increase (decrease) in net position to net cash provided by operating activities:		
Increase (decrease) in net position	\$ (76,363)	\$ 1,368,578
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities:		
Net decrease (increase) in fair value of investments	1,035,344	(638,661)
Net realized losses on sales of investments	(99,612)	(178,920)
Changes in assets and liabilities:		
Premiums and other receivables	254	(357)
Accounts payable and accrued expenses	(8,307)	(7,836)
Unpaid losses and loss adjustment expenses	(29,209)	429,829
Total adjustments	898,470	(395,945)
Net cash provided by operating activities	\$ 822,107	\$ 972,633

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, 2022 AND 2021

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

The following is a summary of the more significant accounting policies of the 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 patient general liability, including professional liability (healthcare) coverage for patient healthcare education, research and service missions of the Florida Atlantic University Board of Trustees and as further defined and referred to in Sections 768.28(2) and 768.28(9), Florida Statutes.

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, 2022 AND 2021

(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, 2022 and 2021, 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 \$1,690,039 and \$1,748,691 as of June 30, 2022 and 2021, 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, 2022 AND 2021

(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, 2022 and 2021.

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, 2022 and 2021:

- *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, 2022 AND 2021**

(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, 2022 and 2021, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2022				
Investments				
Equity mutual funds				
Domestic equity funds	\$ 1,970,494	\$ -	\$ -	\$ 1,970,494
Global equity funds	343,746	-	-	343,746
Total equity mutual funds	<u>2,314,240</u>	<u>-</u>	<u>-</u>	<u>2,314,240</u>
Bond mutual funds				
Short term bond funds	4,373,777	-	-	4,373,777
Intermediate term bond funds	995,879	-	-	995,879
Total bond mutual funds	<u>5,369,656</u>	<u>-</u>	<u>-</u>	<u>5,369,656</u>
Total investments at fair value	<u>\$ 7,683,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,683,896</u>
June 30, 2021				
Investments				
Equity mutual funds				
Domestic equity funds	\$ 2,150,687	\$ -	\$ -	\$ 2,150,687
Global equity funds	424,066	-	-	424,066
Total equity mutual funds	<u>2,574,753</u>	<u>-</u>	<u>-</u>	<u>2,574,753</u>
Bond mutual funds				
Short term bond funds	4,051,049	-	-	4,051,049
Intermediate term bond funds	1,119,568	-	-	1,119,568
Total bond mutual funds	<u>5,170,617</u>	<u>-</u>	<u>-</u>	<u>5,170,617</u>
Total investments at fair value	<u>\$ 7,745,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,745,370</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, 2022 range from 2.7 years to 6.46 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, 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	<u>\$ 5,369,656</u>	<u>\$ -</u>	<u>\$ 5,369,656</u>	<u>\$ -</u>	<u>\$ -</u>

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

(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, 2022.

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, 2022 are shown below.

	Fair Value	Percent of Program's Total Investments
Vanguard Total Stock Market Index Fund	\$ 1,970,494	26%
Vanguard Short-Term Bond Index Fund	4,373,777	57
Vanguard Intermediate Term Bond Index Fund	995,879	13
	\$ 7,340,150	96%

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, 2022 and 2021 is summarized as follows:

	Direct	Ceded	Net
June 30, 2022			
Premiums written	\$ 1,438,020	\$ 82,215	\$ 1,355,805
Premiums earned	\$ 1,438,020	\$ 82,215	\$ 1,355,805
June 30, 2021			
Premiums written	\$ 1,349,118	\$ 68,333	\$ 1,280,785
Premiums earned	\$ 1,349,118	\$ 68,333	\$ 1,280,785

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

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

	<u>2022</u>	<u>2021</u>
Balances at July 1	\$ 1,184,508	\$ 754,679
Incurred related to:		
Current year	405,000	528,000
Prior years	<u>(139,592)</u>	<u>(13,333)</u>
Total incurred losses and LAE	<u>265,408</u>	<u>514,667</u>
Paid related to:		
Current year	-	359
Prior years	<u>294,617</u>	<u>84,479</u>
Total paid losses and LAE	<u>294,617</u>	<u>84,838</u>
Balances at June 30	<u>\$ 1,155,299</u>	<u>\$ 1,184,508</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 on prior years decreased due to refinements to prior years' ultimate loss projections.

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

	<u>2022</u>	<u>2021</u>
Case-basis reserves	\$ 245,518	\$ 711,658
Supplemental reserves	909,781	472,850
Total	<u>\$ 1,155,299</u>	<u>\$ 1,184,508</u>

(4) **Related Party Transactions:**

The total fees charged to the Program were \$325,905 and \$304,035 for the years ended June 30, 2022 and 2021, 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 Florida Atlantic University Board of Trustees and as further defined and referred to in Sections 768.28(2) and 768.28(9), Florida Statutes. Total net earned premiums for the year ended June 30, 2022 and 2021 of \$1,355,805 and \$1,280,785, 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 ending June 30, 2022 and June 30, 2021. Total ceded premiums paid for the years ending June 30, 2022 and 2021 were \$82,215 and \$68,333, respectively. The program is not relieved of its primary obligation to the policyholder in a reinsurance transaction.

**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, 2022, 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 26, 2022.

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.

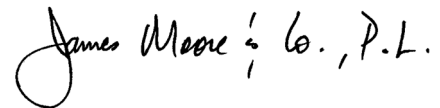
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, prominent initial "J" that loops around the first part of the name.

Gainesville, Florida
August 26, 2022