

**FLORIDA MEDICAL PRACTICE PLAN, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
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**JUNE 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors,  
Florida Medical Practice Plan, Inc.  
Tallahassee, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the Florida Medical Practice Plan, Inc. (FMPP), a component unit of Florida State University, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise FMPP'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.

### *Auditors' 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 the *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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMPP, as of June 30, 2015, and the changes in net position and cash flows for the year 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 10 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 16, 2015, on our consideration of the FMPP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 FMPP's internal control over financial reporting and compliance.

*James Moore & Co., P.L.*

October 16, 2015  
Tallahassee, Florida

**FLORIDA MEDICAL PRACTICE PLAN, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

Florida Medical Practice Plan, Inc. (FMPP) is pleased to present its financial statements for this period ending June 30, 2015. The intent of the management's discussion and analysis (MD&A) of financial performance is to provide readers with a comprehensive picture of FMPP's financial condition and results of operations. This MD&A should be read in conjunction with the financial statements and related notes, as details provided there are not necessarily repeated in this analysis.

The 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. The MD&A also includes comparative data from the audited financial statements for the period ending June 30, 2014.

**OVERVIEW OF FINANCIAL STATEMENTS**

**THE STATEMENT OF NET POSITION**

The statement of net position presents the financial position of FMPP as of June 30, 2015. From this data, readers can determine the assets available to continue the operations of the organization. The statement also provides a picture of the net position (assets minus liabilities) and an indication of assets available to meet future obligations. The change in net position is one indicator of whether the overall financial condition has improved or worsened during the year.

The following table shows a condensed statement of net position at June 30:

**CONDENSED STATEMENT OF NET POSITION**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current Assets	\$ 4,622,522	\$ 3,701,473
<b>Total Assets</b>	4,622,522	3,701,473
<b>Liabilities</b>		
Current Liabilities	3,132,832	2,927,030
<b>Total Liabilities</b>	(3,132,832)	(2,927,030)
<b>Total Net Position</b>	\$ 1,489,690	\$ 774,443

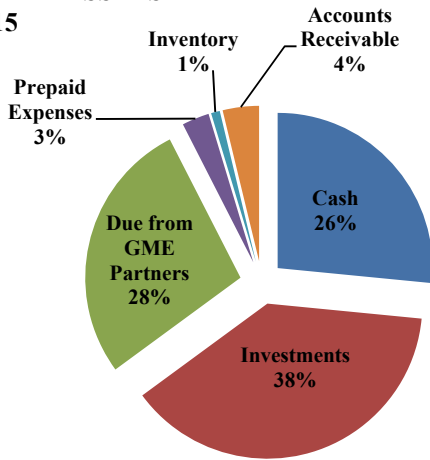
All FMPP assets are classified as current assets, which are generally considered to be convertible to cash within one year.

At June 30, 2015, FMPP total assets equaled \$4,622,522, an increase of \$921,049 over the previous year. The largest increase is due to the idle funds investment of \$1,750,000 into two separate investment plans during the year ended June 30, 2015.

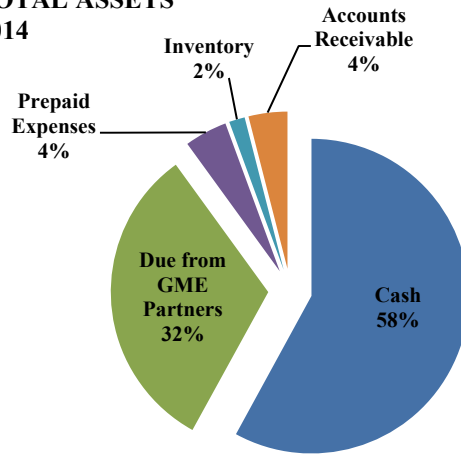
**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
(Continued)

In addition to the Investments balance (\$1,772,349 in 2015), the other largest balances in current assets consist of Cash (\$1,227,211 and \$2,146,051 for 2015 and 2014, respectively) and Due from Graduate Medical Education (GME) Partners (\$1,275,929 and \$1,185,726 for 2015 and 2014, respectively). The following charts present FMPP's asset categories for 2015 and 2014:

**TOTAL ASSETS  
2015**



**TOTAL ASSETS  
2014**

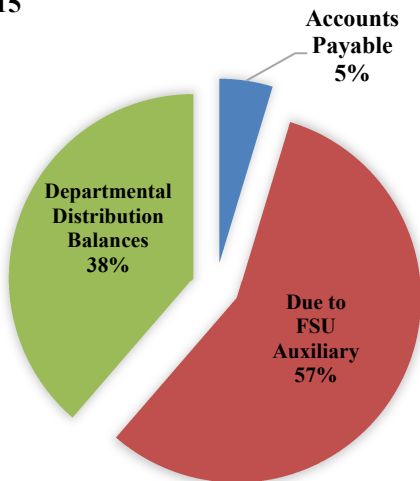


FMPP liabilities are owed to others or collected from others before providing related services. Currently, FMPP classifies all liabilities as current liabilities, which are amounts due and payable within a year.

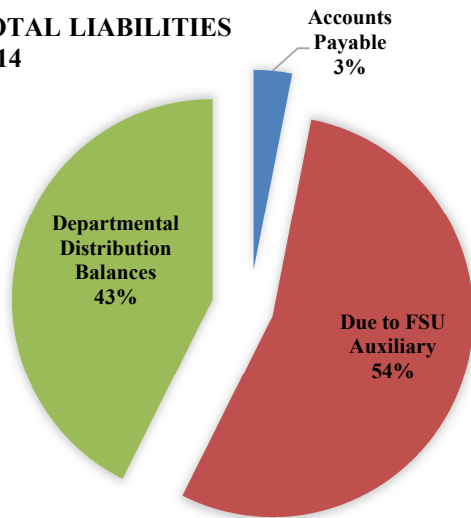
At June 30, 2015, FMPP total liabilities equaled \$3,132,832, an increase of \$205,802 over the previous year. Growth in the Due to The Florida State University College of Medicine (FSUCOM) Auxiliary liability category, which includes accrued compensated absences, accrued payroll, and administrative premiums due to FSUCOM auxiliaries for GME support, comprises the main source of this increase.

The following charts present FMPP's liability categories for 2015 and 2014:

**TOTAL LIABILITIES  
2015**



**TOTAL LIABILITIES  
2014**



**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
(Continued)

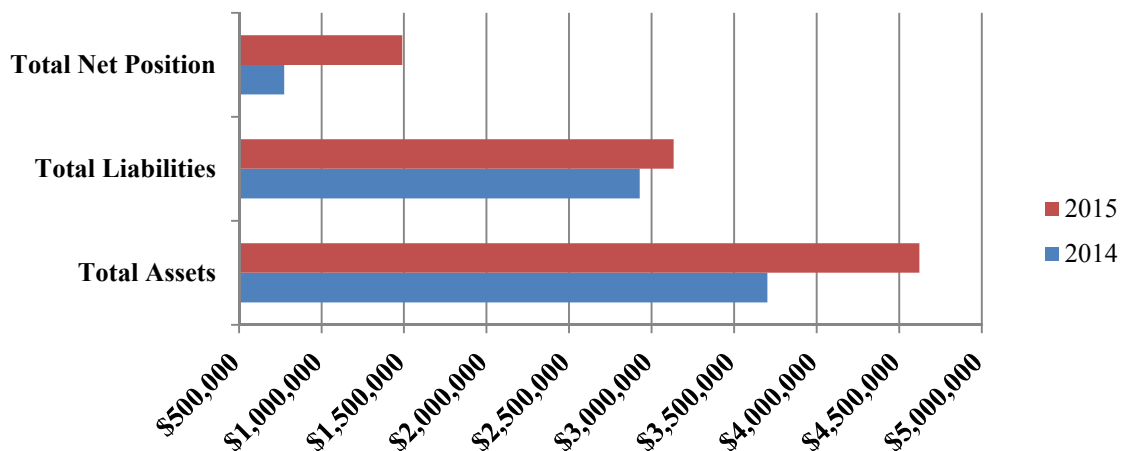
FSU College of Medicine departmental distribution balances represent net funds distributed to College of Medicine departments for faculty work on clinical service agreements. In previous years, this activity was included in FMPP's expense activity. Since the funds are held for use by College of Medicine departments and do not represent corporate activity of FMPP, the activity is more appropriately classified as a liability. At June 30, 2015, the balance decreased by \$35,984 over the previous year, which means more funds were spent by departments than were distributed. Departments may choose to spend available distribution funds on expenses that support medical education and supplement departmental needs. Department distribution balances are funded by department distribution support on the Statement of Changes in Net Assets in that represents amounts authorized. The following charts represent FMPP's departmental distribution spending for 2015 and 2014:

**DEPARTMENTAL DISTRIBUTION SPENDING**

	<u>2015</u>	<u>2014</u>
FSU College of Medicine Salary Support	\$ 16,143	\$ 71,499
Medical Equipment and Supplies	-	3,147
Office and Administrative Supplies and Equipment	7,827	1,380
Professional Fees	59,988	155,668
Program and Professional Development	141,025	204,800
Transfers to FSU Foundation	90,000	73,247
<b>Total Departmental Distribution Spending</b>	<u>\$ 314,983</u>	<u>\$ 509,741</u>

At June 30, 2015, net position totaled \$1,489,690, an increase of \$715,247 over the previous year. This increase represents the net change in net position reported for 2015. The following chart presents FMPP's net position for 2015 and 2014:

**NET POSITION**



**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
(Continued)

**THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement of revenues, expenses, and changes in net position presents FMPP's revenues earned and expenses incurred as of June 30, 2015, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. In general, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of FMPP.

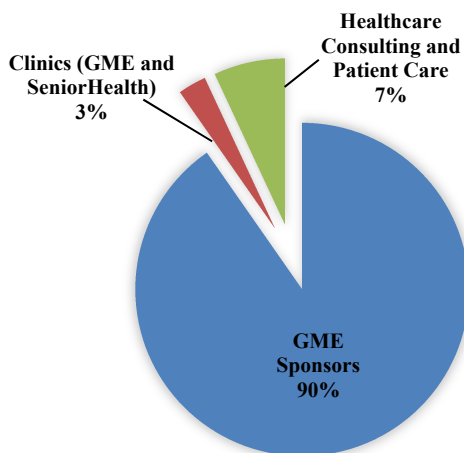
The following table shows a condensed statement of revenues, expenses, and changes in net position at June 30:

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

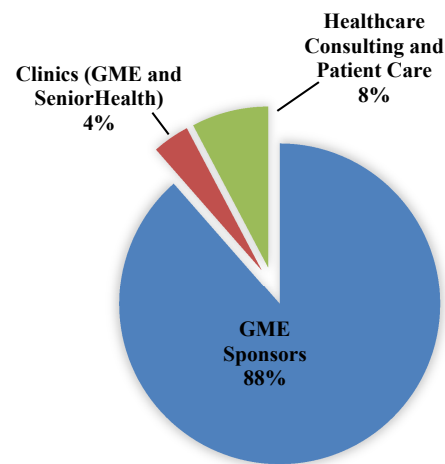
	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 12,416,967	\$ 12,058,182
Operating Expenses	<u>(11,728,839)</u>	<u>(12,258,846)</u>
Net Operating Income (Loss)	688,128	(200,664)
Non-operating Revenues	27,119	4,390
Income (Loss)/ Change in Net Position	<u>715,247</u>	<u>(196,274)</u>
Net Position, Beginning of Year	774,443	970,717
Net Position, End of Year	<u>\$ 1,489,690</u>	<u>\$ 774,443</u>

At June 30, 2015, FMPP operating revenues totaled \$12,416,967, an increase of \$358,785 over the prior year. New residency programs account for part of the increase in revenues. The following charts present FMPP's revenues for operating activities for 2015 and 2014.

**REVENUES USED TO FUND  
OPERATING ACTIVITIES 2015**



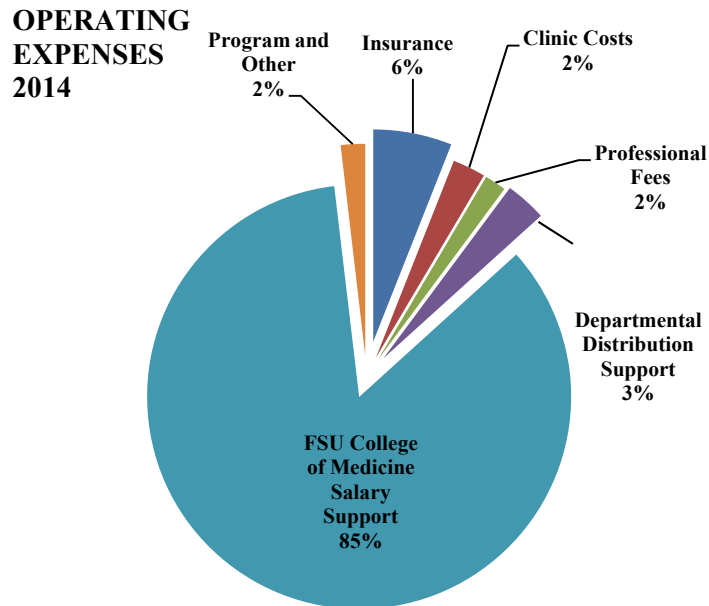
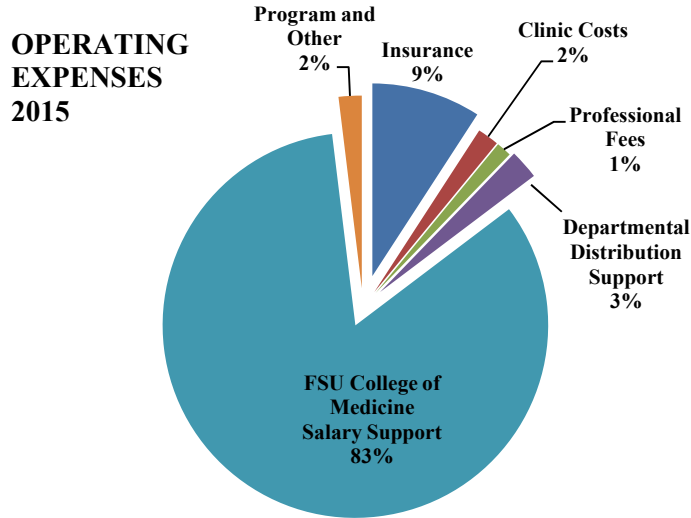
**REVENUES USED TO FUND  
OPERATING ACTIVITIES 2014**



**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
(Continued)

At June 30, 2015, FMPP total operating expenses equaled \$11,728,839, a decrease of \$530,007 over the previous year, primarily due to a decrease in residency faculty compensation for faculty that transferred employment from FSUCOM to the hospital partner.

The following charts present FMPP's expenses for operating activities for 2015 and 2014:



**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
(Continued)

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides additional information about FMPP's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating FMPP's ability to generate net cash flows, its ability to meet financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by FMPP for its operating activities. Cash flows from investing activities show all uses of cash and cash equivalents as a result of earning income on cash and investments.

As mentioned previously, \$1,750,000 of idle funds were invested during 2015, which contributed to the overall reduction in cash. The following table shows a condensed statement of cash flows at June 30:

	<b>2015</b>	<b>2014</b>
Cash Provided (Used) By:		
Operating Expenses	\$ 826,390	\$ 50,245
Investing Activities	<u>(1,745,230)</u>	<u>4,390</u>
Cash Increase (Decrease)	(918,840)	54,635
Cash, Beginning of Year	<u>2,146,051</u>	<u>2,091,416</u>
Cash, End of Year	<u><u>\$ 1,227,211</u></u>	<u><u>\$ 2,146,051</u></u>

**FMPP OPERATING ENVIRONMENT**

As of June 30, 2015, FMPP supports three distinct operating activities: 1) GME program sponsorships, 2) healthcare consulting and patient care, and 3) practice plan clinics.

- 1) Since 2006, FMPP has supported GME residency program sponsorships in Obstetrics/Gynecology and Pediatrics at Sacred Heart Health System (SHHS) in Pensacola, Florida. Faculty and resident physicians are employees of FSUCOM, and all salaries and associated expenses are distributed through three FSUCOM auxiliary accounts. Direct operational expenses other than salaries and associated expenses incurred in support of the GME residency programs, and deemed to be the responsibility of FSUCOM pursuant to the affiliation agreement with SHHS, are disbursed directly by FMPP. In spring 2014, FMPP received notice from SHHS of its intent to transfer sponsorship of these residencies to another educational institution. Transition of sponsorship for these programs will take place no later than April 28, 2016.

In late 2010, FSUCOM executed a sponsorship agreement with Tallahassee Memorial Healthcare (TMH) in Tallahassee, Florida, to establish an Internal Medicine GME residency program. The Accreditation Council for Graduate Medical Education (ACGME) approved the Internal Medicine program to begin August 1, 2012. The program accepted its first intern class on July 1, 2014. It is a three year program and hosts a complement of 26 residents at full capacity.

In early 2011, FSUCOM executed a sponsorship agreement with Lee Memorial Health System (LMHS) in Fort Myers, Florida, to establish a Family Medicine GME residency program. ACGME approved the Family Medicine program in May 2013, and the Family Medicine residency program accepted its first transfer residents in spring 2014 and its first intern on class July 1, 2014. It is a three year program with a complement of 18 residents at full capacity.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
(Continued)

In early 2012, FSUCOM executed a sponsorship agreement with Dermatology Associates of Tallahassee (DATFL) in Tallahassee, Florida, to establish a GME Procedural Dermatology Fellowship. ACGME approved the Procedural Dermatology Fellowship program on July 1, 2013. It is a one year program with the first FSUCOM fellow beginning in August 2013. Effective July 1, 2015, the ACGME changed the program's name to Micrographic Surgery and Dermatologic Oncology Fellowship. Beginning 2015, the program accepts two fellows.

During fiscal year 2014-2015, FSUCOM executed a sponsorship agreement with TMH in Tallahassee, Florida, to establish a General Surgery GME residency program. The ACGME approved the General Surgery program to begin in 2015. The program will accepted its first residents on July 1, 2016. The program will be a five year program and host twelve residents when at full capacity.

In fall 2014, FSUCOM executed a sponsorship agreement with DATFL in Tallahassee, Florida, to establish a GME Dermatology Residency. The application for the Dermatology Residency program is under review by the ACGME. The program is a three year program with the first FSUCOM residents anticipated to begin the residency in July 2016 and will host a complement of six residents when at full capacity.

In spring 2015, FSUCOM executed a sponsorship agreement with Sarasota Memorial Hospital (SMH) in Sarasota, Florida, to establish a GME Internal Medicine Residency. The application for the program has not yet been submitted to the ACGME. The program will be a three year program and host 18 residents when at full capacity.

- 2) Since 2010, FMPP has supported clinical service agreements with county health departments, community clinics, and private health care organizations through which FSUCOM faculty members provide health care consulting or patient care. Faculty members are employees of FSUCOM, and all salaries and associated expenses are distributed through a FSUCOM auxiliary account. FMPP does not bill third-party payors for the services our faculty provides under these clinical service agreements, but is paid a flat, hourly, patient encounter or relative value unit rate for their services. All expenses other than salaries and associated expenses incurred in support of the service agreements, and deemed to be the responsibility of FSUCOM pursuant to said agreements, and are disbursed directly by FMPP.
- 3) Since 2006, FMPP has operated a family planning clinic in Pensacola, Florida due to FSUCOM's sponsorship of an obstetrics and gynecology residency program at a Catholic institution (SHHS), where such services are prohibited by Ethical and Religious Directives (ERDs) but are required as part of an ACGME accredited OB/GYN residency program. Services in the clinic are provided by obstetrics and gynecology residency faculty, residents and an on-site licensed practical nurse and registered nurse. FMPP engaged a local third-party billing company to bill third-party payors for services on behalf of FMPP. Net activity is used to offset costs of the obstetrics and gynecology residency with SHHS.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
(Continued)

In April 2013, FMPP opened *FSU SeniorHealth*, a co-primary care modeled geriatric clinic at Westminster Oaks active living community in Tallahassee, Florida. The clinic is staffed two to three afternoons a week with FSUCOM geriatricians, with other resources leased from Westminster Oaks. FMPP engaged a local third-party billing company to bill third party payors for services on behalf of FMPP.

In January 2014, FMPP opened an FSU SeniorHealth geriatric consulting location at Doctors' Memorial Hospital Family Medicine Clinic in Perry, Florida. The clinic is staffed approximately 2 full days per month with FSUCOM geriatricians, with other resources leased from Doctors' Memorial Hospital. FMPP engaged the same local third-party billing company to bill third party payors for services on behalf of FMPP.

#### **ORGANIZATION AND REQUESTS FOR INFORMATION**

FMPP is presented as a component unit of Florida State University, and as such, submits financial information as required to be included in the government-wide and fund financial statements of the University. FMPP is incorporated as a nonprofit organization within the State of Florida, and is recognized as a tax exempt, Type I supporting organization under Section 501(c)(3) of the Internal Revenue Code. FMPP is authorized by Florida Board of Governors Regulation 6C-9.017 and FSU Regulation 6C2-4.017 to serve as the practice plan of FSUCOM.

The Florida State University financial statements can be viewed at the following website: <http://control.vpfa.fsu.edu/Annual-Financial-Reports>.

Questions concerning financial information provided in the MD&A, and financial statements and notes, or requests for additional financial information should be addressed to Florida Medical Practice Plan, 1115 West Call Street, Tallahassee, Florida 32306-4300.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

**ASSETS**

Current assets	
Cash	\$ 1,227,211
Investments	1,772,349
Accounts receivable, net	173,543
Prepaid expenses	131,644
Inventory	41,846
Due from GME Partners	1,275,929
Total current assets	<u>4,622,522</u>

<b>Total Assets</b>	<u>4,622,522</u>
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**LIABILITIES**

Current liabilities	
Accounts payable	146,487
Due to auxiliary	1,775,681
Departmental distribution balances	1,210,664
Total current liabilities	<u>3,132,832</u>

**NET POSITION**

Unrestricted	<u>1,489,690</u>
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<b>Total Net Position</b>	<u><u>\$ 1,489,690</u></u>
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The accompanying notes to the financial statements  
are an integral part of this statement.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Operating revenues</b>	
Clinical revenue, net of contractual adjustments and bad debts	\$ 12,416,967
Total operating revenue	<u>12,416,967</u>
<b>Operating expenses</b>	
Banking fees	5,792
Insurance	1,076,772
Departmental distribution support	291,739
Medical services	11,925
Medical equipment and supplies	197,990
Office supplies, publications and printing	80,300
Professional fees	145,780
Program and professional development	141,059
Florida State University College of Medicine salary support	9,777,482
Total operating expenses	<u>(11,728,839)</u>
<b>Operating income</b>	<u>688,128</u>
Non operating revenues	
Investment income	27,119
Total non operating revenues	<u>27,119</u>
<b>Change in net position</b>	715,247
<b>Net position</b> , beginning of year (as restated - see Note 8)	<u>774,443</u>
<b>Net Position</b> , end of year	<u><u>\$ 1,489,690</u></u>

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Cash flows from operating activities</b>	
GME and clinical revenue	\$ 13,865,205
Payment to vendors	(3,712,591)
Transfers to Florida State University College of Medicine Auxiliary	(9,326,224)
Net cash provided by operating activities	<u>826,390</u>
<b>Cash flows from investing activities</b>	
Purchase of investments	(1,750,000)
Interest income	4,770
Net Cash used in investing activities	<u>(1,745,230)</u>
<b>Net decrease in cash and cash equivalents</b>	(918,840)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,146,051</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,227,211</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 688,128
Change in assets - decrease (increase) and Liabilities - increase (decrease)	
Accounts receivable	(25,647)
Prepaid expenses	30,654
Inventory	17,656
Due from GME partners	(90,203)
Accounts payable	55,967
Due to FSU auxiliary	185,819
Departmental distribution balance	(35,984)
Net cash provided by operating activities	<u><u>\$ 826,390</u></u>

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(1) **Reporting Entity:**

The Florida Medical Practice Plan, Inc. (FMPP) is a not-for-profit corporation formed by Florida State University College of Medicine (FSUCOM) and activated in April of 2006. FMPP is authorized by the Florida Board of Governors Regulation 6C-9.017 and The Florida State University Regulation 6C2-4.0017. The purposes of FMPP are to: 1) further the education, service, and research missions of FSUCOM; and 2) to enable faculty to maintain clinical competence, fulfill certification requirements, and share expertise with other health care providers. FMPP is an affiliated organization and component unit of Florida State University (FSU or the University) and is therefore, included by discrete presentation in the financial statements of that reporting entity (The Florida State University).

(2) **Summary of Significant Accounting Policies:**

The accompanying financial statements are reported on the accrual basis of accounting. FMPP has adopted Governmental Accounting Standards Board's (GASB's) *Codification of Governmental Accounting and Financial Reporting Standards, Section 1600 – Basis of Accounting*.

Pursuant to GASB's *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 – Defining the Financial Reporting Entity*, for financial reporting purposes, FMPP is considered a special purpose government engaged only in business-type activities.

**Classification of Revenues**

FMPP classifies its revenues as operating or nonoperating according to the following criteria:

- **Operating Revenues**

Include activities that have the characteristics of exchange transactions, such as Graduate Medical Education (GME) revenue and clinical revenue.

- **Nonoperating Revenues**

Include activities that have characteristics of nonexchange transactions, such as investment income.

**Net Position**

FMPP's net position is classified as follows:

- **Unrestricted**

Represents net position not restricted for any purpose and available for current operations. All of FMPP's net position is unrestricted.

- **Investments**

FMPP follows the provisions of GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, for the accounting and reporting for investments in debt securities. GASB No. 31 requires investments in debt securities to be recorded at fair value with unrealized gains and losses included as a component of investment income. Investment transactions are accounted for on a trade date basis. The cost of investments sold is determined by specific identification. FMPP does not have any derivative investments.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(2) **Summary of Significant Accounting Policies:** (Continued)

**Investments (Concluded)**

The FMPP board has adopted an investment policy that balances a general attitude of risk aversion with the desire to earn a rate of return in excess of inflation, provides reasonably consistent annual returns, and minimizes transactional and investment costs and fees. FMPP funds may be invested in a low fee index-based investment program, securities as authorized by Section 17 or Section 215.44, Florida Statute, the long-term investment portfolio of the FSU Foundation, or other styles of investment at the board's discretion.

**Accounts Receivable**

Accounts receivable are reported net of an allowance for uncollectible accounts and an estimate of contractual allowances. The allowance for uncollectible accounts and the estimate of contractual allowances is established with charges against clinical revenues. The allowance is based on management's estimate of collectability, third party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. As of June 30, 2015, the allowance for doubtful accounts totaled \$2,484.

**Inventory**

Inventory represents certain medical supplies used in the operations of the residency program with GME partner Sacred Heart Hospital. Inventory is valued at the lower of cost or market.

**Revenues**

Revenues are derived primarily from GME affiliation agreements with Sacred Heart Hospital in Pensacola, Florida, Lee Memorial Health Systems in Ft. Myers, Florida, Tallahassee Memorial Healthcare in Tallahassee, Florida, and Dermatology Associates of Tallahassee, Florida whereby the partners pay FMPP based on costs incurred under respective contracts. In addition, FMPP receives revenues from various contractual arrangements with third parties whereby FSUCOM faculty provide health care consulting and/or patient care services. FMPP also operates two geriatric clinics, one opened during the year ended June 30, 2013 and one opened during the year ended June 30, 2014. FMPP received 90% of its revenues from its GME affiliation agreements as of June 30, 2015.

**Expenses**

Expenses are recognized on the accrual basis of accounting.

**Fixed Assets**

All fixed assets used by FMPP are the property of Florida State University and are recorded on the books of the University.

**Use of Estimates**

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(2) **Summary of Significant Accounting Policies:** (Continued)

**Donated Services**

FMPP occupies space at FSUCOM and is assisted by employees of the University. There is no clear measurable basis to value the space occupied, but a representative amount of personnel services is recorded as part of the transfer with Florida State University College of Medicine Auxiliary in the accompanying financial statements.

**Income Taxes**

FMPP is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. FMPP is considered a Type I supporting organization of Florida State University under Section 509(a)(3) of the Internal Revenue Code.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist. FMPP files informational returns in the U.S. federal jurisdiction. FMPP'S income tax returns for the past three years are subject to examination by taxing authorities and may change upon examination.

**Subsequent Events**

FMPP has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 16, 2015, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(3) **Deposits and Investments:**

**Cash**

Included in FMPP's cash are amounts on deposit with a commercial bank. The amounts on deposit with a commercial bank are readily available for use by FMPP and are qualified in accordance with the provisions of Chapter 280, Florida Statutes, as a public depository, which ensures deposits are fully collateralized. As of June 30, 2015, the carrying amount of FMPP's deposits was \$1,227,211, and the bank balance was \$1,232,717.

**Investments**

FMPP invested \$1,000,000 in Vanguard mutual funds with CapTrust Financial Advisors as of July 10, 2014, and \$750,000 with the FSU Foundation as of June 30, 2015. FMPP had no investments prior to the current fiscal year.

Investments at June 30, 2015 are as follows:

	<u>Cost</u>	<u>Net Unrealized Gains</u>	<u>Net Unrealized Losses</u>	<u>Fair Value</u>
<b>June 30, 2015</b>				
Equity mutual funds	\$ 312,242	\$ 6,234	\$ -	\$ 318,476
Bond mutual funds	678,271	-	(1,867)	676,404
FSU Foundation	750,000	-	-	750,000
Cash in bank	27,469	-	-	27,469
Totals	<u>\$ 1,767,982</u>	<u>\$ 6,234</u>	<u>\$ (1,867)</u>	<u>\$ 1,772,349</u>

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(3) **Deposits and Investments:** (Continued)

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.

**GASB Statement No. 40, *Deposit and Investment Risk Disclosures*** – requires disclosure concerning certain investment and deposit risk attributes for interest rate risk, credit risk, concentration of credit risk, custodial credit risk, and foreign currency risk.

**Interest Rate Risk**

Applicable interest rate risk measured by weighted-average maturity (WAM) or information provided on weighted average life (WAL) is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration</u>
Vanguard Short Term Bond Index Fund	\$ 537,747	2.67 years
Vanguard Intermediate Term Bond Index Fund	138,657	6.51 years

No other interest rate risk information is provided on applicable investments.

**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, 2015, FMPP held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below:

	<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	\$ 676,404	\$	\$ 537,747	\$ 138,657	\$

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, FMPP 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 FMPP and are not registered in FMPP's name. FMPP has not identified any investments falling into this category as of June 30, 2015.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(3) **Deposits and Investments:** (Continued)

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of FMPP's investments in a single issuer. FMPP places no limit on the amount it may invest in any one issuer. FMPP's investments at June 30, 2015 are shown below:

	<b>Fair Value</b>	<b>Percent of FMPP's Total Investments</b>
Vanguard International Stock Index Fund	\$ 99,722	6%
Vanguard Intermediate Term Bond Index Fund	138,657	8%
Vanguard Short Term Bond Index Fund	537,747	30%
Vanguard Total Stock Market Index Fund	218,754	12%
FSU Foundation	750,000	42%
Cash in Bank	27,469	2%
	\$ 1,772,349	100%

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

The significant components of net investment income for the year ended June 30, 2015 is summarized as follows:

	<b>2015</b>
Interest income	\$ 20,943
Long term unrealized gains	4,367
Long term realized gains	187
Short term realized gains	1,622
Investment Income	\$ 27,119

The calculation of realized gains (losses) is independent of the calculation of the net increase (decrease) in fair value of investments. Realized gains (losses) on investments held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments.

(4) **Risk Management:**

FMPP is exposed to various risks of loss related to physician malpractice for which FMPP participates in a self-insurance program with Florida State University. Coverage limits for Florida State University Board of Trustees for the acts and omissions of faculty, residents, and health care employees are \$200,000 per claim or \$300,000 per occurrence.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(5) **Related Party Transactions:**

FMPP paid \$643,291 in malpractice insurance premiums and claims bills for our residency programs for the year ended June 30, 2015 to the Florida State University College of Medicine Self Insurance Program. FMPP provided \$9,777,482 in salary and benefit support for the year ended June 30, 2015 to FSUCOM for the reimbursement of compensation costs and payment of other payroll supplements and benefits funded by residency programs or departmental distribution accounts.

As of June 30, 2015, FMPP owed various amounts to FSUCOM Auxiliaries as follows:

	<b>2015</b>
Accrued Payroll and Related Benefits	\$ 488,276
Accrued Compensated Absences	1,081,163
Accrued Overhead	206,242
<b>Total Due to FSU College of Medicine Auxiliary</b>	<b>\$ 1,775,681</b>

Employees of Florida State University earn the right to be compensated for annual leave (vacation) and sick leave pursuant to the policies of Florida State University and its affiliate hospitals. Under the terms of the affiliation agreements with Sacred Heart Hospital, Lee Memorial Hospital Systems and Tallahassee Memorial Healthcare, the hospitals will reimburse FMPP for any compensated absences paid.

The following is a summary of the changes in compensated absences of FMPP for year ended June 30, 2015:

	<b>Balance June 30, 2014</b>	<b>Net Additions</b>	<b>(Net Deletions)</b>	<b>Balance June 30, 2015</b>
Accumulated Compensated Absences	\$ 927,096	\$ 560,107	\$ (406,040)	\$ 1,081,163

As of June 30, 2015, the balances above are reimbursable to FMPP under the affiliation agreement and have also been recorded as “Due from GME Partners” in the accompanying statement of net position.

(6) **Distribution of Clinical Service Net Receipts:**

In addition to the affiliation agreements with GME partners, FMPP has entered into various contractual arrangements with third parties for faculty members of FSUCOM to provide health care consulting and/or patient care services. A policy for the distribution of clinical service funds net of direct expenses relating to the third-party agreements was implemented by FMPP in 2009.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(7) **Service Fees:**

FMPP receives reimbursements from Medicare, Medicaid, and other third party payor for patient billing. These funds are subject to compliance audits by the agency or their representatives; however, audits of these programs have not yet been performed by the agency or their representatives. Accordingly, the final determination of compliance with applicable requirements and other federal and state programs will be established at a future date. The amount, if any, of billings which may be disallowed cannot be determined and, accordingly, no provision for these amounts have been made in the accompanying financial statements.

(8) **Restatement of Net Position:**

FMPP decreased beginning net position by \$1,246,648. The decrease relates to restatements for Departmental Distribution Balances. Departmental Distribution Balances represent net funds distributed to FSUCOM departments for faculty work on clinical service agreements. In previous years, this activity was included in FMPP's expense activity. Since the funds are held for use by COM departments and do not represent corporate activity of FMPP, the activity is more appropriately classified as a liability. The reclassification lead to a decrease in 2014 expenses and in increase in 2014 liabilities, which lead to the decrease in beginning net position.

**INDEPENDENT AUDITORS' 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**

Board of Directors,  
Florida Medical Practice Plan, Inc.  
Tallahassee, Florida:

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 Florida Medical Practice Plan, Inc. (FMPP), a component unit of the University, for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise FMPP's basic financial statements, and have issued our report thereon dated October 16, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered FMPP'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FMPP's internal control. Accordingly, we do not express an opinion on the effectiveness of FMPP'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.

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

As part of obtaining reasonable assurance about whether FMPP'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 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 FMPP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FMPP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.C.

October 16, 2015  
Tallahassee, Florida