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# Audited Financial Statements

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***Central Florida Clinical Practice Organization, Inc.***

*Years Ended June 30, 2017 and 2016*



CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

*Audited Financial Statements*

*Years Ended June 30, 2017 and 2016*

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*Audited Financial Statements*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Central Florida Clinical Practice Organization, Inc.:

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

We have audited the accompanying financial statements of the business-type activities of the Central Florida Clinical Practice Organization, Inc. (the CFCPO) (a component unit of the University of Central Florida), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the CFCPO's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 CFCPO'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 CFCPO'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***

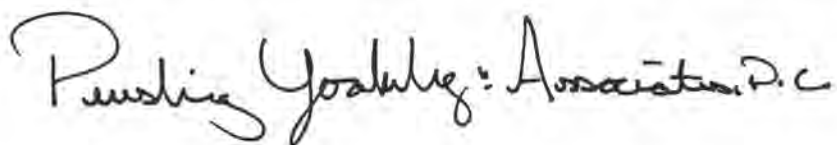
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Central Florida Clinical Practice Organization, Inc. as of June 30, 2017 and 2016, and changes in net position and cash flows for the years 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 management's discussion and analysis on pages 3 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 audits 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 September 6, 2017 on our consideration of the CFCPO'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 CFCPO's internal control over financial reporting and compliance.



Tampa, Florida  
September 6, 2017

## **Management's Discussion and Analysis**

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Management's Discussion and Analysis*

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#### INTRODUCTION

This section of the Central Florida Clinical Practice Organization, Inc.'s (the CFCPO) annual report provides an overview of its financial results for the year ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes. The financial statements, footnotes, and this discussion and analysis are the responsibility of management.

The primary mission of the CFCPO is to provide administrative services for the University of Central Florida College of Medicine's (College of Medicine) clinical mission, including the faculty practice, UCF Health, and a healthcare consulting unit, HealthARCH. The CFCPO performs the billing and collection of professional fees associated with the practice of medicine and advisory services provided by HealthARCH and directly pays the associated non-salary operating expenses for those services. The CFCPO also transfers money back to the College of Medicine to fund associated faculty and staff compensation and holds certain assets such as medical equipment which are reported in the financial statements.

#### FINANCIAL ANALYSIS

The following is a summary of the financial performance of the CFCPO, segregated by the Statements of Net Position, Condensed Statements of Revenue, Expenses and Changes in Net Position and Condensed Statements of Cash Flows. The year ended June 30, 2017 represents the fifth full year of operations for the CFCPO.

#### STATEMENTS OF NET POSITION - ASSETS

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2017</i>	<i>2016</i>	<i>(Decrease)</i>	<i>Change</i>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 5,190,655	\$ 2,767,459	\$ 2,423,196	88%
Patient accounts receivable, net	200,895	314,956	(114,061)	-36%
HealthARCH accounts receivable, net	47,648	-	47,648	100%
Due from affiliates	107,510	44,376	63,134	142%
Inventory	24,739	35,643	(10,904)	-31%
Other assets	106,212	28,434	77,778	274%
<b>TOTAL CURRENT ASSETS</b>	<b>5,677,659</b>	<b>3,190,868</b>	<b>2,486,791</b>	<b>78%</b>
<b>CAPITAL ASSETS:</b>				
Property and equipment, net	90,316	152,132	(61,816)	-41%
<b>TOTAL ASSETS</b>	<b>\$ 5,767,975</b>	<b>\$ 3,343,000</b>	<b>\$ 2,424,975</b>	<b>73%</b>

The CFCPO ended Fiscal Year 2017 with approximately \$5.2 million in cash and cash equivalents, up from \$2.8 million in Fiscal Year 2016. More cash was collected than used to pay for non-salary operating expenses. Cash transfers to the College of Medicine to pay for faculty and staff salaries and benefits have been minimized since October of 2014 at the request of the

**CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.**

***Management's Discussion and Analysis - Continued***

College of Medicine. Patient accounts receivable decreased from approximately \$315 thousand in Fiscal Year 2016 to approximately \$201 thousand in Fiscal Year 2017. A high number of claims processed in June 2016 contributed to a higher than typical balance at the end of Fiscal Year 2016. Capital Assets decreased from approximately \$152 thousand in Fiscal Year 2016 to approximately \$90 thousand in Fiscal Year 2017 as a result of depreciation exceeding asset additions. Total Assets increased from approximately \$3.3 million in Fiscal Year 2016 to approximately \$5.8 million in Fiscal Year 2017.

**STATEMENTS OF NET POSITION - LIABILITIES**

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2017</i>	<i>2016</i>	<i>(Decrease)</i>	<i>Change</i>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 54,480	\$ 51,437	\$ 3,043	6%
Accrued expenses	66,858	57,722	9,136	16%
Unearned revenue	9,902	-	9,902	100%
TOTAL CURRENT LIABILITIES	131,240	109,159	22,081	20%
DUE TO AFFILIATES	171,248	-	171,248	100%
TOTAL LIABILITIES	\$ 302,488	\$ 109,159	\$ 193,329	177%

Total Liabilities increased from approximately \$109 thousand in Fiscal Year 2016 to approximately \$302 thousand in Fiscal Year 2017. Due To Affiliates of \$171 thousand is responsible for this increase. The University Office of Research and Compliance determined that this amount of collections, related to a contract with the Florida Department of Health, should have been received by the University of Central Florida.

**STATEMENTS OF NET POSITION - NET POSITION**

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2017</i>	<i>2016</i>	<i>(Decrease)</i>	<i>Change</i>
<b>NET POSITION:</b>				
Net investment in capital assets	\$ 90,316	\$ 152,132	\$ (61,816)	-41%
Unrestricted	5,375,171	3,081,709	2,293,462	74%
TOTAL NET POSITION	\$ 5,465,487	\$ 3,233,841	\$ 2,231,646	69%

Total Net Position of the CFCPO increased from approximately \$3.2 million in Fiscal Year 2016 to approximately \$5.5 million in Fiscal Year 2017. This increase is driven almost entirely by the increase in cash and cash equivalents.

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Management's Discussion and Analysis - Continued*

#### CONDENSED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<i>Year Ended June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2017</i>	<i>2016</i>	<i>(Decrease)</i>	<i>Change</i>
TOTAL OPERATING REVENUE	\$ 4,249,059	\$ 3,119,556	\$ 1,129,503	36%
TOTAL OPERATING EXPENSES	1,580,411	1,407,659	172,752	12%
OPERATING INCOME	2,668,648	1,711,897	956,751	56%
TOTAL NONOPERATING LOSS	-	(10,000)	10,000	-100%
TOTAL TRANSFERS	(437,002)	-	(437,002)	100%
INCREASE IN NET POSITION	2,231,646	1,701,897	529,749	31%
NET POSITION, BEGINNING OF YEAR	3,233,841	1,531,944	1,701,897	111%
NET POSITION, END OF YEAR	\$ 5,465,487	\$ 3,233,841	\$ 2,231,646	69%

The Statements of Revenue, Expenses and Changes in Net Position reflect the financial and operational progress that UCF Health made in Fiscal Year 2017 when compared to Fiscal Year 2016. The continued growth of UCF Health's business through increased volumes in patients seen at its clinics and the addition of HealthARCH are the largest factors driving the changes from Fiscal Year 2016 to Fiscal Year 2017.

Total operating revenue increased from approximately \$3.1 million in Fiscal Year 2016 to approximately \$4.2 million in Fiscal Year 2017. The number of patient visits at UCF Health increased from 20,965 in Fiscal Year 2016 to 23,937 in Fiscal Year 2017. Revenue from other sources such as insurance incentives and professional fees, including the HealthARCH unit, saw a more significant increase from \$170 thousand in Fiscal Year 2016 to \$776 thousand in Fiscal Year 2017.

Total operating expenses increased from approximately \$1.4 million in Fiscal Year 2016 to approximately \$1.6 million in Fiscal Year 2017. The growth of expenses is consistent with the increase in patient and professional service activity, including the expenses for HealthARCH, in Fiscal Year 2017. Only Depreciation significantly decreased from Fiscal Year 2016 to Fiscal Year 2017.

No non-operating activity was recorded in Fiscal Year 2017, however transfers to the College of Medicine were \$437 thousand in Fiscal Year 2017 related to covering faculty and staff compensation for professional service activity. The change in net position was \$2.2 million in Fiscal Year 2017 as compared to \$1.7 million in Fiscal Year 2016.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

*Management's Discussion and Analysis - Continued*

CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2017</i>	<i>2016</i>	<i>(Decrease)</i>	<i>Change</i>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,872,584	\$ 1,525,162	\$ 1,347,422	88%
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(437,002)	-	(437,002)	100%
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(12,386)	(36,697)	24,311	-66%
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,423,196	1,488,465	934,731	63%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,767,459	1,278,994	1,488,465	116%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,190,655	\$ 2,767,459	\$ 2,423,196	88%

The purpose of the Statements of Cash Flows is to report the sources and uses of funds during the period to reconcile the change in cash and cash equivalents.

Net cash from operating activities increased from approximately \$1.5 million in Fiscal Year 2016 to approximately \$2.9 million in Fiscal Year 2017. Cash used in non-capital financing activities went from zero in Fiscal Year 2016 to \$437 thousand in Fiscal Year 2017 as transfers resumed from the CFCPO to the College of Medicine. Cash used in capital activities decreased from approximately \$37 thousand in Fiscal Year 2016 to approximately \$12 thousand in Fiscal Year 2017. Overall, there was a net increase in cash and cash equivalents of approximately \$1.5 million in Fiscal Year 2016 compared to approximately \$2.4 million in Fiscal Year 2017.

The financial results for the CFCPO in Fiscal Year 2017 continue to show incremental growth in patient volume and more significant growth in professional service revenue. Transfers to the College of Medicine related to professional service compensation resumed in Fiscal Year 2017, however the existing strategy of minimizing those transfers remained in place, allowing for the accumulation of cash on the CFCPO's books. An increased level of activity is expected in Fiscal Year 2018 as at least eight new clinical providers will begin seeing patients at UCF Health.

## **Audited Financial Statements**

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

*Statements of Net Position*

	<i>June 30,</i>	
	<i>2017</i>	<i>2016</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,190,655	\$ 2,767,459
Patient accounts receivable, net of estimated contractual adjustments and uncollectible accounts of \$484,430 in 2017 and \$435,059 in 2016	200,895	314,956
HealthARCH accounts receivable, net of estimated allowance for doubtful accounts of \$18,249 in 2017	47,648	-
Due from affiliates	107,510	44,376
Inventory	24,739	35,643
Other assets	106,212	28,434
<b>TOTAL CURRENT ASSETS</b>	<b>5,677,659</b>	<b>3,190,868</b>
<b>CAPITAL ASSETS:</b>		
Property and equipment, net	90,316	152,132
<b>TOTAL ASSETS</b>	<b>\$ 5,767,975</b>	<b>\$ 3,343,000</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 54,480	\$ 51,437
Accrued expenses	66,858	57,722
Unearned revenue	9,902	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>131,240</b>	<b>109,159</b>
<b>DUE TO AFFILIATES</b>	<b>171,248</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>302,488</b>	<b>109,159</b>
<b>COMMITMENTS AND CONTINGENCIES -</b>		
Notes E and G		
<b>NET POSITION:</b>		
Net investment in capital assets	90,316	152,132
Unrestricted	5,375,171	3,081,709
<b>TOTAL NET POSITION</b>	<b>5,465,487</b>	<b>3,233,841</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 5,767,975</b>	<b>\$ 3,343,000</b>

**CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.**

***Statements of Revenue, Expenses and Changes in Net Position***

	<i>Year Ended June 30,</i>	
	<i>2017</i>	<i>2016</i>
<b>OPERATING REVENUE:</b>		
Direct revenue from patient care (net of contractual allowances and discounts)	\$ 3,552,058	\$ 2,999,826
Provision for bad debts	(78,933)	(49,917)
<b>TOTAL NET PATIENT SERVICE REVENUE</b>	<b>3,473,125</b>	<b>2,949,909</b>
Other revenue	775,934	169,647
<b>TOTAL OPERATING REVENUE</b>	<b>4,249,059</b>	<b>3,119,556</b>
<b>OPERATING EXPENSES:</b>		
Medical supplies	541,292	347,850
Information technology	206,895	185,430
Professional fees	353,332	354,126
Facility	138,187	147,455
Supplies and repairs	84,005	65,930
Marketing	154,103	147,682
Depreciation	74,202	134,909
Other	28,395	24,277
<b>TOTAL OPERATING EXPENSES</b>	<b>1,580,411</b>	<b>1,407,659</b>
<b>OPERATING INCOME</b>	<b>2,668,648</b>	<b>1,711,897</b>
<b>NONOPERATING LOSS:</b>		
Loss on disposition of equipment	-	(10,000)
<b>TOTAL NONOPERATING LOSS</b>	<b>-</b>	<b>(10,000)</b>
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>	<b>2,668,648</b>	<b>1,701,897</b>
<b>TRANSFERS:</b>		
Transfers to the University of Central Florida College of Medicine	(437,002)	-
<b>TOTAL TRANSFERS</b>	<b>(437,002)</b>	<b>-</b>
<b>INCREASE IN NET POSITION</b>	<b>2,231,646</b>	<b>1,701,897</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>3,233,841</b>	<b>1,531,944</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 5,465,487</b>	<b>\$ 3,233,841</b>

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

*Statements of Cash Flows*

	<i>Year Ended June 30,</i>	
	<i>2017</i>	<i>2016</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from and on behalf of patients	\$ 3,524,052	\$ 2,710,169
Other receipts	529,139	169,490
Payments to suppliers and others	<u>(1,180,607)</u>	<u>(1,354,497)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,872,584	1,525,162
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers to the University of Central Florida College of Medicine	<u>(437,002)</u>	-
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(437,002)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of capital assets	<u>(12,386)</u>	<u>(36,697)</u>
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(12,386)	(36,697)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,423,196	1,488,465
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,767,459</u>	<u>1,278,994</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,190,655</u>	<u>\$ 2,767,459</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 2,668,648	\$ 1,711,897
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	74,202	134,909
Provision for bad debts	78,933	49,917
Increase (decrease) in cash due to changes in:		
Patient accounts receivable, net	35,128	(252,988)
HealthARCH accounts receivable	(47,648)	-
Due to/from affiliates	108,114	(36,669)
Inventory	10,904	(24,234)
Other assets	(77,778)	(5,752)
Accounts payable	3,043	45,643
Accrued expenses	9,136	(97,561)
Unearned revenue	9,902	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,872,584</u>	<u>\$ 1,525,162</u>

See accompanying notes to financial statements.

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements*

#### *Years Ended June 30, 2017 and 2016*

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#### NOTE A--REPORTING ENTITY

The Central Florida Clinical Practice Organization, Inc. (the CFCPO) is a not-for-profit corporation formed by the physicians at the University of Central Florida College of Medicine (College of Medicine) and activated in October 2011. The CFCPO was formed primarily to serve as a support entity for the College of Medicine's clinical mission, including the faculty practice, UCF Health. The CFCPO performs the billing and collection of professional fees associated with the practice of medicine at UCF Health. In March 2015, UCF Health began seeing patients at a second clinic location. The CFCPO transfers funds to the College of Medicine for use in funding salary supplements and other related costs for the benefit of the faculty of the College of Medicine. In October 2014, transfers were temporarily suspended at the request of the College of Medicine. During Fiscal Year 2017, the CFCPO began making transfers again to the College of Medicine. The CFCPO is an affiliated organization component unit of the University of Central Florida (the University) and is, therefore, included by discrete presentation in the financial statements of that reporting entity.

During Fiscal Year 2017, the CFCPO assumed the accounting function and the related billing and collection responsibilities for HealthARCH, which were previously administered by the College of Medicine. HealthARCH advances resources to support healthcare professionals in transforming and continuously improving health care delivery, the patient experience and health outcomes while reducing the cost of health care. HealthARCH services are primarily provided to entities that are not affiliated with the CFCPO or the College of Medicine. HealthARCH revenue and related accounts receivable are not directly related to patient care services and as such are recognized separately from net patient service revenue and patient accounts receivable in the accompanying financial statements.

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation:* The CFCPO is accounted for as an internal service fund. Internal service funds are used to account for the financing of goods and services by one college or agency to independent agencies and other governments.

The CFCPO's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The CFCPO has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting.

*Basis of Accounting:* The CFCPO's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2017 and 2016*

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resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The CFCPO follows GASB standards of accounting and financial reporting.

*Cash and Cash Equivalents:* The CFCPO considers all highly liquid investments, including cash and interest-bearing deposits with original or remaining maturity dates of less than 90 days when purchased and overnight repurchase agreements, as cash equivalents for purposes of reporting cash flows.

*Net Patient Service Revenue and Receivables:* UCF Health's patient service revenue is recognized by the CFCPO as revenue in the period when the services are performed and is reported on the accrual basis at the estimated net realizable amounts from patients, third-party payers and others. A significant portion of the services provided by UCF Health is to patients whose bills are reimbursed by third-party payers such as Medicare, Medicaid, and private insurance carriers. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payer programs under payment formulas in effect. Net patient service revenue also includes an estimated provision for bad debts based upon management's evaluation of collectability of patient receivables. The estimate considers the age of the receivables and other criteria such as payer classifications.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. Individual accounts are charged-off against the estimated allowance for uncollectible accounts when management determines that it is unlikely that the account will be collected. The contractual allowance represents the difference between UCF Health's established billing rates and estimated reimbursement from Medicare, Medicaid, and other third-party payment programs. The CFCPO does not require collateral or other security for patient accounts receivable. UCF Health routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

*Capital Assets:* The CFCPO's capital assets are reported at historical cost. Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated utilizing the straight-line method over the following estimated service lives: 3-10 years for furniture, equipment, computer hardware and computer software. Maintenance and repair costs are expensed as incurred. The CFCPO periodically reviews capital assets for indicators of potential impairment. If this review indicates that the carrying amount of these assets may not be recoverable, the CFCPO estimates the future cash flows expected to result from the operations of the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2017 and 2016*

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without interest charges) is less than the carrying amount of the asset, a write-down to estimated fair value is recorded.

*Estimated Liability for Refunds:* If applicable, an estimated liability is provided for potential refunds to UCF Health's patients and third-party payers.

*Net Position:* Net position of the CFCPO is classified in components. *Net investment in capital assets* consists of property and equipment net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*. The CFCPO had no *restricted net position* at June 30, 2017 and 2016.

*Operating Revenue and Expenses:* The CFCPO's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with the College of Medicine providing healthcare and education services. Other sources of revenue, expenses, gains and losses are reported as nonoperating. Operating expenses are all expenses incurred by the CFCPO for UCF Health to provide healthcare and education services other than financing costs.

*Income Taxes:* The CFCPO is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements and there were no uncertain tax positions as of June 30, 2017 and 2016.

*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 revenue and expenses during the reporting period. Estimates associated with contractual allowances and allowances for uncollectible accounts are particularly susceptible to material change in the near term. Future results could differ from the current estimates.

#### NOTE C--NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

Net patient service revenue is derived principally from professional fees generated by the faculty of the College of Medicine from treating patients. Net patient service revenue is revenue from professional fees charged to individual patients and funded through third party payers and private patient payments based on established reimbursement rates. A reconciliation of the net patient service revenue to direct revenue from patient care, as presented in the statement of revenue, expenses and changes in net position for the years ended June 30, 2017 and 2016, is as follows:

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

	Year Ended June 30,	
	2017	2016
Gross direct charges from patient care	\$ 8,201,274	\$ 6,176,073
Less: Contractual adjustments	(4,649,216)	(3,176,247)
Bad debt	(78,933)	(49,917)
Total net patient service revenue	\$ 3,473,125	\$ 2,949,909

Patient service revenue net of contractual allowances by major payer source is as follows:

	As of June 30,	
	2017	2016
Third-party payers	\$ 3,485,947	\$ 2,991,225
Patients, including self insured	66,111	8,601
	\$ 3,552,058	\$ 2,999,826

A summary of the payment arrangements with major third-party payers follows:

*Medicare:* College of Medicine faculty physicians are participating in the Medicare program. Medicare pays 80% of the allowed charge with the patient being responsible for a 20% co-payment and an annual deductible. A contractual adjustment is recorded for the difference between the physician's charge and the Medicare allowable amount.

*Medicaid:* Services furnished by the College of Medicine to Medicaid patients are reimbursed under a state fee schedule.

*Medicaid Enhanced Payment Program:* Physicians employed by or under contract with designated Florida medical schools are eligible to receive supplemental reimbursement under the Medicaid Enhanced Payment Program (the Program). Net patient service revenue for the year ended June 30, 2017 includes \$68,277 related to the Program. Amounts due to the CFCPO under the Program as of June 30, 2017, were \$10,048 and are recognized in other assets in the statement of net position. No amounts related to the Medicaid Enhanced Payment Program were reported as revenue for the year ended June 30, 2016.

*Other:* The College of Medicine has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations (PPOs). The bases for payment to the College of Medicine vary. Many of the PPO arrangements are based on the third-party's fee schedule.

Amounts earned under contractual arrangements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate

**CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.**

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2017 and 2016*

governmental authorities or their agents. In the opinion of management, adequate provision has been made for any adjustments which may result from such reviews. Activity with respect to these reviews has increased and is expected to continue to increase in the future. No additional reserves have been established with regard to possible increased reviews in the future as management is not able to estimate such amounts, if any. In addition, participation in these programs subjects the CFCPO to significant rules and regulations. Failure to adhere to such regulations could result in fines, penalties or expulsion from the programs.

The CFCPO's net patient accounts receivable consists primarily of amounts funded through third-party payer and private payments. Net patient accounts receivable as of June 30, 2017 and 2016 are summarized as follows:

	<i>As of June 30,</i>	
	<i>2017</i>	<i>2016</i>
Patient accounts receivable based on established charges	\$ 685,325	\$ 750,015
Estimated contractual adjustments	(425,853)	(391,758)
Estimated allowance for bad debts	(58,577)	(43,301)
Patient accounts receivable, net	<u>\$ 200,895</u>	<u>\$ 314,956</u>

Accounts receivable are reduced by an allowance for bad debts. Based on historical experience, the CFCPO estimates the allowance and provision for bad debts by major payer source based upon a percentage of the patient accounts receivable by aging category.

The CFCPO's estimated allowance for bad debts increased from June 30, 2016 to 2017 primarily due to the increased volume in patients seen at UCF Health's two clinic locations.

**NOTE D--CAPITAL ASSETS**

A summary of property and equipment and schedule of activity is as follows:

	<i>Balance at June 30, 2016</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2017</i>
Capital assets:					
Furniture, equipment and computers	\$ 675,361	\$ 12,386	\$ -	\$ -	\$ 687,747
Accumulated depreciation:					
Furniture, equipment and computers	523,229	74,202	-	-	597,431
Total capital assets, net	<u>\$ 152,132</u>	<u>\$ (61,816)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,316</u>

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

	<i>Balance at June 30, 2015</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2016</i>
Capital assets:					
Furniture, equipment and computers	\$ 638,664	\$ 36,697	\$ -	\$ -	\$ 675,361
Accumulated depreciation:					
Furniture, equipment and computers	388,320	134,909	-	-	523,229
Depreciable capital assets, net	250,344	(98,212)	-	-	152,132
Assets Held-for-Sale	10,000	-	(10,000)	-	-
Total capital assets, net	\$ 260,344	\$ (98,212)	\$ (10,000)	\$ -	\$ 152,132

NOTE E--OPERATING LEASES

The CFCPO leases certain equipment under operating lease agreements. Future minimum rental payments required under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 25,573
2019	3,516
2020	2,300
Thereafter	1,269
Total minimum payments required	<u>\$ 32,658</u>

NOTE F--RELATED-PARTY TRANSACTIONS

The University historically provides financial support to the CFCPO in the event that cash revenues do not exceed cash expenses. The CFCPO did not receive or require contributions from the University during the fiscal years ended June 30, 2017 and 2016. The CFCPO transfers funds to the College of Medicine to assist with funding for salary supplements and other related costs for the benefit of the faculty and quality of education of the College of Medicine based on available funding. During 2017, the CFCPO was required to transfer funds to the College of Medicine for various salary reimbursement and other arrangements in the amount of \$437,002. During 2016, the CFCPO was not required to transfer funds to the College of Medicine.

As of June 30, 2017 and 2016, there were no amounts due to the University related to reimbursement for the usage of servers and related information technology support by the

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2017 and 2016*

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University's Regional Extension Center (REC) or related to reimbursement for the purchase of fixed assets.

As of June 30, 2017 and 2016, \$68,198 and \$44,376, respectively, was due from the University's Student Health Clinic related to funds being passed through UCF Health to the CFCPO from third party insurance payers.

As of June 30, 2017, \$39,312 was due from the University related to funding received by the University associated with HealthARCH. As of June 30, 2017, there is a corresponding due to the University in the amount of \$171,248 related to funding provided to the CFCPO, associated with HealthARCH, that was determined to be owed to the University.

#### NOTE G--COMMITMENTS AND CONTINGENCIES

*Professional Liability:* The University of Central Florida Board of Trustees, acting as the College of Medicine, obtains general and professional liability protection from the University of Central Florida College of Medicine Self-Insurance Program (the Self-Insurance Program), a self-insurance mechanism authorized by the Florida Board of Governors pursuant to Section 1004.24, Florida Statutes.

The Self-Insurance Program affords protection to the University of Central Florida Board of Trustees for claims and actions, as described in Section 768.28, Florida Statutes, including any legislative claim bill that, in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1,000,000 per claim.

In the event the College of Medicine faculty physicians and other professional employees are not subject to the personal immunity described in Section 768.28, Florida Statutes, for example, on assignment outside the State of Florida, the Self-Insurance Program provides the faculty physicians and other professional employees with personal liability protection, in the amount of \$250,000 per claim.

The CFCPO is provided protection by the Self-Insurance Program. No amounts have been accrued for incurred but not reported claims as the CFCPO is not able to estimate such amounts.

*Healthcare Industry:* The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse and under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2017 and 2016*

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providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

In March 2010, Congress adopted comprehensive health care insurance legislation, *Patient Care Protection and Affordable Care Act* and *Health Care and Educational Reconciliation Act*. The legislation, among other matters is designated to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing Medicaid coverage and payments have occurred, and are expected to continue to occur, as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

Management believes the CFCPO is currently in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or not asserted at this time.

*Credit Risk:* Certain financial instruments, primarily cash, potentially subject the CFCPO to concentrations of credit risk. The CFCPO maintains its cash with what it believes to be a high-quality financial institution and thus limits its credit exposure. At times, the cash maintained in this institution exceeds federally insured limits. The CFCPO had amounts in excess of federally insured limits of \$5,088,995 and \$2,580,011 at June 30, 2017 and 2016, respectively.

#### NOTE H--ELECTRONIC HEALTH RECORDS MEANINGFUL USE

The American Recovery and Reinvestment Act of 2009 and the Health Information Technology for Economic and Clinical Health (HITECH) Act established incentive payments under the Medicare and Medicaid programs for certain healthcare providers that use certified Electronic Health Record (EHR) technology. To qualify for incentive payments, healthcare providers must meet designated EHR meaningful use criteria as defined by the Centers for Medicare & Medicaid Services (CMS). Incentive payments are awarded to healthcare providers who have attested to CMS that applicable meaningful use criteria have been met. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period.

The CFCPO recognizes revenue for EHR incentive payments when substantially all contingencies have been met by UCF Health. During 2017 and 2016, the CFCPO recognized approximately \$29,000 and \$54,000, respectively, of other revenue related to UCF Health's EHR incentive payments. These amounts are reported as other revenue in the statements of revenue, expenses, and changes in net position.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2017 and 2016*

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NOTE I--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2017 financial statements.



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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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Central Florida Clinical Practice Organization, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Central Florida Clinical Practice Organization, Inc. (the CFCPO) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the CFCPO's basic financial statements, and have issued our report thereon dated September 6, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the CFCPO'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 CFCPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the CFCPO'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the CFCPO'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

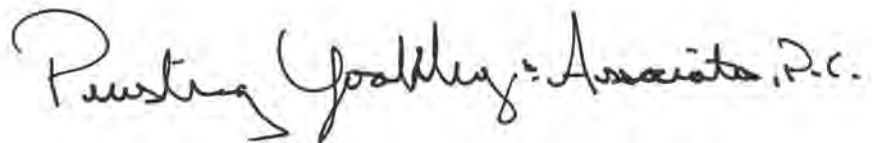
internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether the CFCPO'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 the CFCPO'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 CFCPO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tampa, Florida  
September 6, 2017