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# Financial Statements

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

***Years Ended June 30, 2021 and 2020***

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

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*Years Ended June 30, 2021 and 2020*

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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, 2021 and 2020, 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 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 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, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

*Required Supplementary Information:* Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

PYA, P.C.

Tampa, Florida  
August 23, 2021

## **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 years ended June 30, 2021 and 2020. 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, that includes UCF Health, the faculty practice of the College, and HealthARCH, a healthcare consulting unit. As part of the administrative services, the CFCPO performs the billing and collection of professional fees associated with the practice of medicine, 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 other reporting expenses and holds certain assets such as medical equipment that are reported in the financial statements.

HealthARCH has provided education and direct technical assistance to over ten thousand providers at over one thousand organizations since its inception in 2010. Patient Centered Medical Home (PCMH), Revenue Cycle, the CMS Quality Payment Program, and Network Support Services are the key services behind HealthARCH's fee for service revenue.

The most significant operating event for the CFCPO in Fiscal Year 2020 was the onset of the COVID-19 pandemic. In 2021, UCF Health continued to successfully work through the challenges of the pandemic by using telehealth whenever necessary to continue to safely serve its patients. As a result, UCF Health was able to increase billed patient encounters from 38,048 in Fiscal Year 2020 to 40,050 in Fiscal Year 2021. In addition, revenue was increased by the receipt of Phase 3 Cares Act funding of \$121 thousand and the recognition of \$192 thousand in revenue earned under the Medicaid Enhanced Payment Program described in Note C of the financial statement footnotes.

Also, in Fiscal Year 2021, the CFCPO revised the treatment of Fixed Assets to bring its policy in line with University of Central Florida (University) policy by increasing the capitalization threshold from \$2,500 to \$5,000. All assets with an acquisition cost below \$5,000 and with a remaining net book value as of June 30, 2021 was fully depreciated at the end of the year adding \$84 thousand in additional depreciation expense.

Additionally, in Fiscal Year 2021, the CFCPO transferred to the College of Medicine \$3.6 million less compared to prior year. Cash reserves increased by \$4.2 million ending the year with unrestricted cash reserves of \$6.5 million.

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

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

#### 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, 2021 represents the ninth full year of operations for the CFCPO.

#### STATEMENTS OF NET POSITION – ASSETS

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 6,489,779	\$ 2,304,041	\$ 4,185,738	182%
Patient accounts receivable, net	495,574	618,273	(122,699)	-20%
HealthARCH accounts receivable, net	24,221	28,220	(3,999)	-14%
Due from affiliates	259,457	222,102	37,355	17%
Other assets	261,685	245,382	16,303	7%
TOTAL CURRENT ASSETS	7,530,716	3,418,018	4,112,698	120%
CAPITAL ASSETS:				
Property and equipment, net	126,961	154,671	(27,710)	-18%
OTHER ASSETS	89,199	173,582	(84,383)	-49%
TOTAL ASSETS	\$ 7,746,876	\$ 3,746,271	\$ 4,000,605	107%

Total assets increased by \$4.0 million, from approximately \$3.7 million in Fiscal Year 2020 to approximately \$7.7 million in Fiscal Year 2021. The increase is mainly a result of the increase in the cash balance driven by a reduction in transfers to the College of Medicine.

The CFCPO ended Fiscal Year 2021 with approximately \$6.5 million in cash and cash equivalents, up from \$2.3 million in Fiscal Year 2020. This is primarily due to lower cash transfers to the College of Medicine in support of clinical salaries and other expenses. The year-end cash balance also includes approximately \$606 thousand which is a reimbursement to the Graduate Medical Education program from the VA that is to be transferred to the College of Medicine. This liability is reflected in Accounts Payable and will be transferred July 2021. This leaves a total cash reserve of approximately \$5.9 million.

Patient accounts receivable decreased from approximately \$618 thousand in Fiscal Year 2020 to approximately \$496 thousand in Fiscal Year 2021. Due to a strong month of billing activity in June 2020, last fiscal year ended in a higher AR balance resulting in a decrease in the year over year balance.

Accounts receivable related to HealthARCH decreased from \$28 thousand as of June 2020 to \$24 thousand as of June 2021. Management believes there is no significant risk of uncollectable accounts receivable. The allowance for bad debt related to HealthARCH currently remains the same as reported in Fiscal Year 2020.

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

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

Due from affiliates increased by \$37 thousand from \$222 thousand in Fiscal Year 2020 to \$259 thousand in 2021. This balance reflects patient payments that are deposited by government and commercial payers into the University bank account instead of the CFCPO bank account.

Other current assets increased from approximately \$245 thousand in Fiscal Year 2020 to approximately \$262 thousand in Fiscal Year 2021, due to an increase in the drug inventory balance related to the infusion suite which began operations in the Gateway location in March 2021. In addition, there was an increase in the receivables for the Medicaid Enhance Payment Program of almost \$50 thousand.

Net capital assets decreased from approximately \$155 thousand in Fiscal Year 2020 to approximately \$127 thousand in Fiscal Year 2021. In Fiscal Year 2021, the CFCPO revised the capitalization threshold to bring the policy in line with University policy as previously described. While \$90 thousand in acquisition costs were added, depreciation of current assets and the full depreciation of all assets under \$5,000, resulted in a decrease of net capital assets by approximately \$28 thousand.

### STATEMENTS OF NET POSITION – LIABILITIES

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	\$ 940,845	\$ 192,298	\$ 748,547	389%
Accrued expenses	197,975	162,693	35,282	22%
Other accrued liabilities	-	158,647	(158,647)	-100%
Unearned revenue	4,350	5,580	(1,230)	-22%
TOTAL CURRENT LIABILITIES	1,143,170	519,218	623,952	120%
DUE TO AFFILIATES	-	564	(564)	-100%
TOTAL LIABILITIES	\$ 1,143,170	\$ 519,782	\$ 623,388	120%

Total liabilities increased from approximately \$.5 million in Fiscal Year 2020 to approximately \$1.1 million in Fiscal Year 2021.

Accounts payable increased from \$192 thousand in Fiscal Year 2020 to \$941 thousand in Fiscal Year 2021. \$606 thousand of this difference is due to the receipt of cash reimbursements from the VA for the College of Medicine Graduate Medical Education Program. When these payments are recorded to the CFCPO bank account, they are then transferred to the College. The most recent payment was received toward the end of the fiscal year and will be transferred in the first period of the new fiscal year.

Accrued expenses increased from \$163 thousand in Fiscal Year 2020 to \$198 thousand in Fiscal Year 2021. Other accrued liabilities in Fiscal Year 2020 represented liabilities associated with the Medicaid Supplemental Payment Program. It was anticipated that the proceeds received from this program would have to be refunded. However, in Fiscal Year 2021, it was determined that the CFCPO would not be required to return the payments, and therefore, were recognized as revenue.

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

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

Due to affiliates decreased from \$564 in Fiscal Year 2020 to zero in Fiscal Year 2021. All monies received by the CFCPO that belonged to the University were transferred before year end.

**STATEMENTS OF NET POSITION – NET POSITION**

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
NET POSITION:				
Net investment in capital assets	\$ 126,961	\$ 154,671	\$ (27,710)	-18%
Unrestricted	6,476,745	3,071,818	3,404,927	111%
TOTAL NET POSITION	<u>\$ 6,603,706</u>	<u>\$ 3,226,489</u>	<u>\$ 3,377,217</u>	<u>105%</u>

Total net position of the CFCPO increased from \$3.2 million in Fiscal Year 2020 to \$6.6 million in Fiscal Year 2021. This was primarily due to the increase in cash reserves resulting from lower cash transfers to the College of Medicine in Fiscal Year 2021.

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

	<i>Year Ended June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
TOTAL OPERATING REVENUE	\$ 8,047,470	\$ 7,497,681	\$ 549,789	7%
TOTAL OPERATING EXPENSES	2,483,088	2,405,692	77,396	3%
OPERATING INCOME	5,564,382	5,091,989	472,393	9%
TOTAL NONOPERATING REVENUE	121,315	143,586	(22,271)	-16%
TOTAL TRANSFERS	(2,308,480)	(5,881,601)	3,573,121	-61%
INCREASE (DECREASE) IN NET POSITION	3,377,217	(646,026)	4,023,243	-623%
NET POSITION, BEGINNING OF YEAR	3,226,489	3,872,515	(646,026)	-17%
NET POSITION, END OF YEAR	<u>\$ 6,603,706</u>	<u>\$ 3,226,489</u>	<u>\$ 3,377,217</u>	<u>105%</u>

The Statements of Revenue, Expenses and Changes in Net Position reflect the financial and operational progress that UCF Health made in Fiscal Year 2021 when compared to Fiscal Year 2020.

Total operating revenue increased from \$7.5 million in Fiscal Year 2020 to \$8.05 million in Fiscal Year 2021. Despite COVID-19, revenue from patient care increased from \$6.7 million in Fiscal Year 2020 to \$7.2 million in Fiscal Year 2021. Other revenue, such as insurance incentives and professional fees from the HealthARCH unit, increased from \$840 thousand in Fiscal Year 2020 to \$873 thousand in Fiscal Year 2021. Professional fees from the HealthARCH unit increased by \$10 thousand and other revenue in UCF Health increased \$23 thousand.

Total operating expenses increased from \$2.4 million in Fiscal Year 2020 to \$2.5 million in Fiscal Year 2021. These increases were partly due to an increase in variable expenses related to higher patient encounters and collections, such as medical supplies and revenue cycle expense. Facilities and depreciation expense, a non-cash expense driven by capital investment, also

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

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

experienced significant increases. With the increase in the capitalization threshold, additional depreciation of \$84 thousand was recorded to fully depreciate assets below \$5,000. In addition, the loan for the Quadrangle building provided by the University was converted to a lease and those payments were processed through the CFCPO adding \$250 thousand in additional facility expense. Much of these expenses were offset by decreases in other expense categories.

Due to the increase in operating revenue, while keeping operating expenses close to prior year levels, operating income increased by \$472 thousand compared to prior year.

Transfers to the College of Medicine decreased from \$5.9 million in Fiscal Year 2020 to \$2.3 million in Fiscal Year 2021. The \$2.3 million covered UCF Health related expenses, paid by the College of Medicine, consisting of faculty provider and staff compensation and some operating expenses such as IT infrastructure and marketing. The change in net position was a positive \$3.4 million in Fiscal Year 2021 as compared to a negative \$646 thousand in Fiscal Year 2020.

### CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2021</i>	<i>2020</i>	<i>(Decrease)</i>	<i>Change</i>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,463,629	\$ 4,849,192	\$ 1,614,437	33%
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(2,187,729)	(6,469,739)	4,282,010	-66%
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(90,162)	(1,182)	(88,980)	7528%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,185,738	(1,621,729)	5,807,467	-358%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,304,041	3,925,770	(1,621,729)	-41%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,489,779	\$ 2,304,041	\$ 4,185,738	182%

Net cash from operating activities increased from \$4.8 million in Fiscal Year 2020 to \$6.5 million in Fiscal Year 2021. Cash used in non-capital financing activities dropped from \$6.5 million in Fiscal Year 2020 to \$2.2 million in Fiscal Year 2021 as transfers decreased from the CFCPO to the College of Medicine. Purchases of capital assets increased from \$1 thousand in Fiscal Year 2020 to \$90 thousand in Fiscal Year 2021. Overall, there was an approximate net change in cash and cash equivalents of positive \$4.2 million in Fiscal Year 2021 compared to an approximate negative \$1.6 million net change in Fiscal Year 2020.

The financial results for the CFCPO in Fiscal Year 2021 reflect an increase in net position of approximately \$3.4 million due to the increase of patient revenue while managing overall operating expenses and lower transfers to the College of Medicine. Positive indicators in Fiscal Year 2021 include a 9.3% increase in operating income and a cash reserve balance of over \$5.8 million after the transfer of the VA payment back to the College of Medicine.

## **Financial Statements**

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

*Statements of Net Position*

	<i>June 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,489,779	\$ 2,304,041
Patient accounts receivable, net of estimated contractual adjustments and uncollectible accounts of \$632,394 in 2021 and \$1,003,530 in 2020	495,574	618,273
HealthARCH accounts receivable, net of estimated allowance for doubtful accounts of \$11,457 in 2021 and 2020	24,221	28,220
Due from affiliates	259,457	222,102
Other assets	261,685	245,382
TOTAL CURRENT ASSETS	<u>7,530,716</u>	<u>3,418,018</u>
<b>CAPITAL ASSETS:</b>		
Property and equipment, net	126,961	154,671
<b>OTHER ASSETS</b>		
	89,199	173,582
TOTAL ASSETS	<u>\$ 7,746,876</u>	<u>\$ 3,746,271</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 940,845	\$ 192,298
Accrued expenses	197,975	162,693
Other accrued liabilities	-	158,647
Unearned revenue	4,350	5,580
TOTAL CURRENT LIABILITIES	<u>1,143,170</u>	<u>519,218</u>
DUE TO AFFILIATES	-	564
TOTAL LIABILITIES	<u>1,143,170</u>	<u>519,782</u>
<b>COMMITMENTS AND CONTINGENCIES -</b>		
Notes E and H		
<b>NET POSITION:</b>		
Net investment in capital assets	126,961	154,671
Unrestricted	6,476,745	3,071,818
TOTAL NET POSITION	<u>6,603,706</u>	<u>3,226,489</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,746,876</u>	<u>\$ 3,746,271</u>

*See accompanying notes to financial statements.*

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

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

	<i>Year Ended June 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>OPERATING REVENUE:</b>		
Charges for services:		
Net patient service revenue	\$ 7,174,321	\$ 6,657,563
Other revenue	873,149	840,118
TOTAL OPERATING REVENUE	<b>8,047,470</b>	<b>7,497,681</b>
<b>OPERATING EXPENSES:</b>		
Medical supplies	1,011,273	962,836
Information technology	336,498	441,849
Professional fees	439,546	581,815
Facility	474,481	214,358
Supplies and repairs	49,788	62,788
Marketing	1,411	24,876
Depreciation	117,872	67,875
Other	52,219	49,295
TOTAL OPERATING EXPENSES	<b>2,483,088</b>	<b>2,405,692</b>
OPERATING INCOME	<b>5,564,382</b>	<b>5,091,989</b>
<b>NONOPERATING REVENUE:</b>		
Other income	121,315	143,586
TOTAL NONOPERATING REVENUE	<b>121,315</b>	<b>143,586</b>
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>		
	<b>5,685,697</b>	<b>5,235,575</b>
<b>TRANSFERS:</b>		
Transfers to the University of Central Florida		
College of Medicine	(2,308,480)	(5,881,601)
TOTAL TRANSFERS	<b>(2,308,480)</b>	<b>(5,881,601)</b>
INCREASE (DECREASE) IN NET POSITION	<b>3,377,217</b>	<b>(646,026)</b>
NET POSITION, BEGINNING OF YEAR	<b>3,226,489</b>	<b>3,872,515</b>
NET POSITION, END OF YEAR	<b>\$ 6,603,706</b>	<b>\$ 3,226,489</b>

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

*Statements of Cash Flows*

	<i>Year Ended June 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from and on behalf of patients	\$ 7,101,018	\$ 6,573,365
Other receipts	876,375	756,710
Payments to suppliers and others	<u>(1,513,764)</u>	<u>(2,480,883)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,463,629	4,849,192
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Other receipts	121,315	143,586
Receipts from third parties to be paid to the University of Central Florida	(564)	564
Distributions of receipts from third parties to be paid to the University of Central Florida	-	(732,288)
Transfers to the University of Central Florida College of Medicine	<u>(2,308,480)</u>	<u>(5,881,601)</u>
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(2,187,729)	(6,469,739)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of capital assets	<u>(90,162)</u>	<u>(1,182)</u>
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(90,162)	(1,182)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,185,738	(1,621,729)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,304,041</u>	<u>3,925,770</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,489,779</u>	<u>\$ 2,304,041</u>

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

*Statements of Cash Flows - Continued*

	<i>Year Ended June 30,</i>	
	<i>2021</i>	<i>2020</i>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 5,564,382	\$ 5,091,989
Adjustments to reconcile operating income to net		
cash provided by operating activities:		
Depreciation	117,872	67,875
Increase (decrease) in cash due to changes in:		
Patient accounts receivable, net	122,699	(84,814)
HealthARCH accounts receivable	3,999	(18,983)
Due to/from affiliates	(37,355)	205
Other assets	68,080	26,395
Accounts payable	748,547	(180,453)
Accrued expenses	35,282	(50,935)
Other accrued liabilities	(158,647)	411
Unearned revenue	(1,230)	(2,498)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,463,629</u>	<u>\$ 4,849,192</u>

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements*

*Years Ended June 30, 2021 and 2020*

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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. UCF Health currently operates two clinic locations. The CFCPO transfers funds to the College of Medicine for use in funding salary reimbursement and other operating expenses for the benefit of 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.

The CFCPO performs the accounting function and the related billing and collection responsibilities for HealthARCH, an organization that advances resources to support healthcare professionals in transforming and continuously improving healthcare delivery, the patient experience and health outcomes while reducing the cost of healthcare. 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 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.

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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*Cash and Cash Equivalents:* The CFCPO considers all highly liquid investments, including cash and interest-bearing deposits with maturities of three months or less when purchased, 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.

*Inventory:* Inventory consists primarily of medical and general store supplies, and is stated at the lower of cost (first-in, first-out) or market. Inventory is included in other assets on the statements of net position.

*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 reviews the carrying value of capital assets if facts and circumstances indicate that recoverability may be impacted. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The CFCPO did not experience any prominent events or changes in circumstances affecting capital assets which would require determination as to whether impairment of a capital asset has occurred during the year ended June 30, 2021.

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

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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*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, 2021 and 2020.

*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 and advancing resources to healthcare professionals. 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 and advance resources to healthcare professionals.

*Income Taxes:* The CFCPO is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is also 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, 2021 and 2020.

*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 the treatment of patients in the CFCPO operated clinics. 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 as presented in the statements of revenue, expenses and changes in net position for the years ended June 30, 2021 and 2020, is as follows:

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2021 and 2020

	<i>Year Ended June 30,</i>	
	<i>2021</i>	<i>2020</i>
Gross direct charges from patient care	\$ 18,171,958	\$ 16,461,593
Less: Contractual adjustments	(10,818,764)	(9,463,085)
Bad debt	(178,873)	(340,945)
Total net patient service revenue	<u>\$ 7,174,321</u>	<u>\$ 6,657,563</u>

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

	<i>As of June 30,</i>	
	<i>2021</i>	<i>2020</i>
Third-party payers	\$ 7,234,605	\$ 6,902,804
Patients, primarily self insured	118,589	95,704
	<u>\$ 7,353,194</u>	<u>\$ 6,998,508</u>

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). At June 30, 2020, \$158,647 related to the Program was included in other liabilities in the statement of net position as the CFCPO anticipated refunding all proceeds back to the Program. During the year ended June 30, 2021, the CFCPO determined that there would be no recoupment and recognized \$191,591 in net proceeds from the Program. This amount was included in other revenue as of June 30, 2021. Amounts due to CFCPO under the Program as of June 30, 2021 were \$49,907 and are recognized in other assets on the statement of net position. No amounts were due as of June 30, 2020.

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

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### Notes to Financial Statements - Continued

#### Years Ended June 30, 2021 and 2020

Amounts earned under contractual arrangements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate 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 to be funded through third-party payer and private payments. Net patient accounts receivable as of June 30, 2021 and 2020 are summarized as follows:

	<i>As of June 30,</i>	
	<i>2021</i>	<i>2020</i>
Patient accounts receivable based on established charges	\$ 1,127,968	\$ 1,621,803
Estimated contractual adjustments	(562,237)	(943,626)
Estimated allowance for bad debts	(70,157)	(59,904)
Patient accounts receivable, net	<u>\$ 495,574</u>	<u>\$ 618,273</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 based upon a percentage of the patient accounts receivable by aging category.

The CFCPO's estimated allowance for bad debts increased from June 30, 2020 to 2021 primarily due to reserves established for aged accounts receivable.

#### NOTE D--CAPITAL ASSETS

During the year ended June 30, 2021, the CFCPO increased its capitalization policy from \$2,500 to \$5,000. As a result, the CFCPO fully depreciated all capital assets existing as of June 30, 2021 with a cost basis under \$5,000 during the year then ended. A summary of property and equipment and schedule of activity is as follows:

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2021 and 2020

	<i>Balance at June 30, 2020</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2021</i>
Capital assets:					
Furniture, equipment and computers	\$ 912,408	\$ 90,162	\$ -	\$ -	\$ 1,002,570
Accumulated depreciation:					
Furniture, equipment and computers	757,737	117,872	-	-	875,609
Total capital assets, net	<u>\$ 154,671</u>	<u>\$ (27,710)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,961</u>
	<i>Balance at June 30, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2020</i>
Capital assets:					
Furniture, equipment and computers	\$ 911,226	\$ 1,182	\$ -	\$ -	\$ 912,408
Accumulated depreciation:					
Furniture, equipment and computers	689,862	67,875	-	-	757,737
Total capital assets, net	<u>\$ 221,364</u>	<u>\$ (66,693)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,671</u>

NOTE E--OPERATING LEASES

The CFCPO leases certain equipment under operating lease agreements. Rent expense associated with the leases was approximately \$45,000 and \$96,800, respectively, for the fiscal years ended June 30, 2021 and 2020. 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, 2021, are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 15,845
Total minimum payments required	<u>\$ 15,845</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, 2021 and 2020. 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 2021 and 2020, the CFCPO was required to transfer funds to the

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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College of Medicine for various salary reimbursement and other operating expenses in the amount of \$2,308,480 and \$5,881,601, respectively.

As of June 30, 2021 and 2020, \$259,457 and \$222,102, 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.

At June 30, 2020, \$564 was due to the College of Medicine primarily related to third party payer payments directed to the CFCPO that belong to the College of Medicine. There were no amounts due to the College of Medicine as of June 30, 2021. The amount due as of June 30, 2020, was paid to the College of Medicine during 2021.

*Related Party Lease:* During 2021, the UCF College of Medicine entered into a Memorandum of Understanding with the UCF Division of Finance and Administration to lease the Quadrangle building through June 30, 2023. This agreement will automatically renew for one-year terms unless terminated by either party. In no event will the Agreement exceed five years. Rent expense was \$250,053 for the year ended June 30, 2021. This amount is being recognized in Facilities expense as of June 30, 2021. Future minimum rental payments under the lease are \$250,053 for each of the years ending June 30, 2022 and 2023.

#### NOTE G--NATIONAL PANDEMIC

In March 2020, the outbreak of the coronavirus 2019 (COVID-19) was declared a public health emergency (PHE). The COVID-19, PHE has severely restricted economic activity and resulted in volatility in financial markets. The healthcare industry has been impacted due to a general decrease in non-emergent patient volumes, cancellations and delays of elective medical procedures, as well as COVID-19 related expenses.

Government support, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided essential funding to eligible hospitals, physicians and other healthcare providers. During the years ended June 30, 2021 and 2020, the Company received \$121,315 and \$143,586, respectively, of CARES Act Provider Relief Funds (PRF). The amounts were recognized as revenue in the respective period to offset estimated lost revenue and COVID-19 related expenses incurred based on reporting guidelines published by the Department of Health and Human Services (HHS).

#### NOTE H--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.

## CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended June 30, 2021 and 2020*

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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 \$1,000,000 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 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 healthcare insurance legislation, *Patient 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 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.

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

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

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2021 and 2020*

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this institution exceeds federally insured limits. The CFCPO had amounts in excess of federally insured limits of \$6,260,047 and \$2,126,940 at June 30, 2021 and 2020, respectively.

**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, 2021 financial statements except as discussed in Note G.

## **Other Information**

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 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) (a component unit of the University of Central Florida) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the CFCPO's basic financial statements, and have issued our report thereon dated August 23, 2021.

***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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

PYA, P.C.

Tampa, Florida  
August 23, 2021