



Item: AF: I-1c

## AUDIT AND FINANCE COMMITTEE

Wednesday, November 16, 2016

**SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS OF FAU DIRECT SUPPORT ORGANIZATIONS: FAU CLINICAL PRACTICE ORGANIZATION FINANCIAL REPORT FOR THE PERIOD ENDED JUNE 30, 2016.**

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### PROPOSED COMMITTEE ACTION

Information only.

### BACKGROUND INFORMATION

The audited financial statements of the FAU Clinical Practice Organization (FAU CPO) are presented to keep the Board of Trustees informed about the financial status of the Corporation. The audited financial statements are for the period ended June 30, 2016 and were presented to the FAU CPO Board of Directors on October 17, 2016.

### IMPLEMENTATION PLAN/DATE

Not applicable.

### FISCAL IMPLICATIONS

Not applicable.

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**Supporting Documentation:** FAU CPO Financial Report for the Year Ended June 30, 2016.

**Presented by:**

Ms. Dorothy Russell, Vice President for Financial Affairs and CFO

Dr. Arthur Ross, Interim Dean of College of Medicine

**Phone:** 561-297-3267

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**FAU Clinical Practice  
Organization, Inc. (A  
Component Unit of  
Florida Atlantic University)**

Financial Report  
For the Year Ended June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
FAU Clinical Practice Organization, Inc.  
Boca Raton, Florida

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

We have audited the accompanying financial statements of FAU Clinical Practice Organization, Inc. (the "Organization"), a component unit of Florida Atlantic University, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, as 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 September 30, 2016, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 30, 2016

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the FAU Clinical Practice Organization, Inc., a component unit of Florida Atlantic University (hereafter “University”) for the fiscal years ended June 30, 2016 and 2015, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of the FAU Clinical Practice Organization, Inc.’s (the “Organization”) management. Pursuant to GASB Statement No. 35, the Organization’s financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

### **FINANCIAL HIGHLIGHTS**

The Organization was incorporated on May 3, 2011 as a not-for-profit organization under Chapter 617, Florida Statutes, and is a component unit of Florida Atlantic University, a public university in the State university system. Its articles of incorporation were amended and restated on July 19, 2012. It was established to promote and support medical education, patient care, research, and the administration and distribution of funds, exclusively for the support of the mission and objectives of the University, its Charles E. Schmidt College of Medicine, its Christine E. Lynn College of Nursing and other participating colleges or units within the University, in accordance with the University’s College of Medicine Faculty Practice Plan and other faculty practice plans adopted by the University pursuant to Florida Board of Governor’s Regulation 9.017. The Board of Directors is the governing body of the Organization.

The Organization’s revenues representing medical staffing and patient service revenues totaled approximately \$ 1.3 million and \$ 803 thousand for the years ended June 30, 2016 and 2015, respectively. Expenses representing operating expenses associated with the direct operations of the Organization totaled approximately \$ 1.1 million and \$ 682 thousand for the years ended June 30, 2016 and 2015, respectively. Other operating expenses represent administrative expenses of the Organization, including but not limited to audit fees and supplies.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information or requests for additional financial information should be addressed to the Vice President for Financial Affairs, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida 33431.

FAU Clinical Practice Organization, Inc.  
Statement of Net Position  
June 30, 2016  
(with comparative totals as of June 30, 2015)

<b>Assets:</b>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash in bank	\$ 803,547	\$ 452,149
Accounts receivable, less allowance for doubtful accounts	79,127	122,947
Due from University		<u>7,552</u>
<b>Total assets</b>	<u>\$ 882,674</u>	<u>\$ 582,648</u>
<b>Liabilities:</b>		
Current Liabilities:		
Accounts payable	\$ 10,300	\$ 9,900
Due to University	18,474	-
Unearned revenue	<u>53,379</u>	<u>39,144</u>
<b>Total liabilities</b>	<u>82,153</u>	<u>49,044</u>
<b>Total unrestricted net position</b>	<u>800,521</u>	<u>533,604</u>
<b>Total liabilities and net position</b>	<u>\$ 882,674</u>	<u>\$ 582,648</u>

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

FAU Clinical Practice Organization, Inc.  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2016  
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Patient service revenue, net of contractual adjustments and provision for bad debts	\$ 663,013	\$ 586,428
Medical staffing revenue, net of provision for bad debts	<u>659,878</u>	<u>216,044</u>
<b>Total operating revenues</b>	<u>1,322,891</u>	<u>802,472</u>
<b>Operating Expenses:</b>		
Personnel costs	821,353	564,955
Contracted services	154,856	65,748
Other expenses	62,639	43,271
Insurance	<u>17,126</u>	<u>7,055</u>
<b>Total operating expenses</b>	<u>1,055,974</u>	<u>681,029</u>
<b>Operating income</b>	<u>266,917</u>	<u>121,443</u>
<b>Change in net position</b>	266,917	121,443
<b>Net Position:</b>		
Beginning of year	<u>533,604</u>	<u>412,161</u>
End of year	<u>\$ 800,521</u>	<u>\$ 533,604</u>

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



FAU Clinical Practice Organization, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2016  
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash Flow From Operating Activities:</b>		
Cash received from customers and patients	\$ 1,357,392	\$ 926,860
Cash paid to suppliers	<del>(1,005,994)</del>	<del>(691,968)</del>
<b>Net cash provided by operating activities</b>	351,398	234,892
<b>Cash:</b>	452,149	217,257
Beginning of year		
End of year	<u>\$ 803,547</u>	<u>\$ 452,149</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 266,917	\$ 121,443
Decrease in accounts receivable	43,820	59,077
Decrease in due to/from University, net	26,026	14,828
Increase in accounts payable	400	400
Increase in unearned revenue	<u>14,235</u>	<u>39,144</u>
<b>Net cash provided by operating activities</b>	<u>\$ 351,398</u>	<u>\$ 234,892</u>

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

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**  
**(with comparative totals for the year ended June 30, 2015)**

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**Note 1. Description and Nature of Organization and Significant Accounting Policies**

On May 3, 2011, the FAU Clinical Practice Organization, Inc. (the "Organization") was incorporated as a not-for-profit organization under Chapter 617, Florida Statutes. Its articles of incorporation were amended and restated on July 19, 2012. The Organization is a component unit of the Florida Atlantic University (the "University"), a part of the State university system of public universities. It was established to promote and support medical education, research, patient care, and the administration and distribution of funds, exclusively for the support of the mission and objectives of the University, its Charles E. Schmidt College of Medicine, its Christine E. Lynn College of Nursing and other participating colleges or units within the University, in accordance with the University's College of Medicine Faculty Practice Plan and other faculty practice plans adopted by the University pursuant to Florida Board of Governor's Regulation 9.017. The governing body of the Organization is its Board of Directors (the "Board").

The Board is comprised of a maximum of eleven (11) directors who are responsible for managing, supervising and controlling the business, property, affairs and funds of the Organization. In the event of dissolution of the Organization, all remaining assets, after payment of Organization's debts, shall be for use only by the College of Medicine, the College of Nursing, or other participating colleges or units within the University, or if the University has ceased to exist, to other entities that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as directed by the Board of Governors of the State of Florida. Consequently, the Organization meets the criteria for inclusion in the University's reporting entity as a component unit.

A summary of the Organization's significant accounting policies follows:

**Basis of presentation:** The Organization is engaged in a single business-type activity whose operations are primarily supported by user fees and charges paid to the University. The principal statements were prepared in accordance with Government Accounting Standards Board ("GASB") codification section 2100, which establishes standards for defining and reporting of the financial reporting entity. The Organization maintains a proprietary fund which reports transactions related to activities similar to those found in the private sector. As such, the Organization presents only the statements required of enterprise funds, which include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

The statement of net position reports assets plus deferred outflows of resources; liabilities plus deferred inflows of resources; and the difference between them as net position. Net position represents the residual interest in the Organization's assets. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The Organization's net position is unrestricted as there are no restrictions on the residual interest in the Organization's assets.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**  
**(with comparative totals for the year ended June 30, 2015)**

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**Note 1. Description and Nature of Organization and Significant Accounting Policies**  
**(continued)**

The accounting and financial reporting treatments applied to a fund are determined by its measurement focus. The Organization's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**Accounting 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, liabilities, deferred inflows/outflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income taxes:** The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Date of management review:** Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 30, 2016, the date the financial statements were available to be issued.

**Cash:** For purposes of the statements of cash flows, cash includes cash on deposit and cash on hand at the statement date.

**Unearned revenue:** Unearned revenue represents resources received before revenue has been earned, which includes grant agreements. Unearned revenue as of June 30, 2016 and 2015, was approximately \$53,000 and \$39,000, respectively.

**Expenses:** Operating expenses are administrative expenses of the University. The University also charges for personnel and administrative support (exclusive of overhead) provided to the Organization, to aid in its operations. Bad debt expense is recorded for accounts receivable balances not considered collectible and such amounts are netted against the related revenues on the financial statements.

**Revenues:**

Medical Staffing Revenue

The University has entered into clinical practice service agreements with third party medical health care facilities (thereafter "facilities"), whereby the University provides the facilities with medical staffing (doctors, nurses, etc.) to oversee certain educational, administrative, and clinical activities at the facilities, as determined by the parties and pursuant to the clinical practice service agreements. In accordance with the clinical practice service agreements, the facilities pay the University a fee for the medical staffing and services provided. The fees earned from these contracts are assigned to and recognized by the Organization. Revenues are recorded in the period that staffing and services are provided to the facilities, regardless of the timing of the related cash flows.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**  
**(with comparative totals for the year ended June 30, 2015)**

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**Note 1. Description and Nature of Organization and Significant Accounting Policies**  
**(continued)**

The University on behalf of the College of Nursing ("CON") entered into various agreements to provide medical staffing services performed by licensed nurse practitioners at clinics throughout Palm Beach County, Florida. Effective for one academic year period from August 2015 to May 2016, the CON entered into an intra-FAU service and affiliation agreement with the University's FAU Karen Slattery Educational Research Center for Child Development ("Slattery") to provide clinical services and consultations performed by a licensed nurse practitioner for administration, staff, and parents at Slattery. The CON through its FAU Community Health Center ("CHC") has renewable agreements with The Lord's Place Inc., and Father Flanagan's Boy's Town Florida, Inc. that includes Child Behavioral Health and BNET programs to provide mental health services provided by a FAU CHC provider. Additionally, FAU, on behalf of the CHC, had in place an agreement with the Health Care District of Palm Beach County whereby the clinic was compensated for the provision of health care services to uninsured and underinsured Palm Beach County residents. Such agreement may be renewed upon application if approved by the Health Care District. FAU also has an agreement with the State of Florida, Department of Health Florida Breast and Cervical Cancer Early Detection Program, on behalf of the CON, to screen patients for cervical and breast cancer. CHC has a telehealth diabetes education agreement with Florida Community Health Center to provide education to rural areas in the State of Florida. Lastly, FAU, on behalf of CHC, has an agreement with the State of Florida Department of Health for the delivery of HIV testing and linkage-to-care services.

The University on behalf of the College of Medicine ("COM") entered into various agreements to provide clinical staffing services by FAU medical residents and FAU faculty physicians at clinics and emergency departments throughout Palm Beach County, Florida. The University, on behalf of the COM, has an agreement with Bethesda Hospital Inc. and Genesis Community Health, Inc. ("Genesis"), effective May 1, 2015 and amended May 1, 2016, to provide clinical staffing services at Bethesda's continuity of care clinic (which is currently operated by Genesis). Effective July 1, 2015, the University on behalf of the COM entered into an agreement with Boca Raton Regional Hospital, Inc. ("BRRH") and BocaCare, Inc. a subsidiary of BRRH, to provide clinical staffing services at the BRRH continuity of care clinic. Effective May 1, 2016, the University on behalf of the COM entered into an agreement with Paragon Contracting Services, LLC and InPhyNet Contracting Services, LLC, d/b/a Team Health Southeast ("THSE"), to provide emergency medicine clinical staffing services in the THSE-operated emergency departments at the following facilities: Saint Mary's Medical Center, West Boca Medical Center, and Delray Medical Center. Effective January 2016, the COM entered into an intra-FAU service and affiliation agreement with FAU Student Health Services ("SHS") to provide clinical staffing services to eligible FAU students at SHS. The University, on behalf of the College of Medicine, entered into an agreement with Boca Regional Hospital, Inc. and BocaCare, Inc. to provide internal medicine hospitalist clinical services by College of Medicine faculty physicians. Although the agreement has an effective date of May 1, 2015, no clinical service revenue or associated expense has been generated to date. The College of Medicine expects to begin generating clinical service revenues and incur associated expenses pursuant to this agreement in fiscal year 2016-2017.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**  
**(with comparative totals for the year ended June 30, 2015)**

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**Note 1. Description and Nature of Organization and Significant Accounting Policies**  
**(continued)**

All medical staffing services rendered are invoiced in accordance with the agreements. The University's gross medical staffing revenues (excluding the provision of bad debts) totaled \$709,830 (\$584,168 and \$125,662 for the College of Medicine and College of Nursing, respectively) and \$229,270 (\$177,314 and \$51,956 for the College of Medicine and College of Nursing, respectively) for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Patient Service Revenue

The University operates and provides medical services to patients at its Memory and Wellness Center ("MWC") and Community Health Center ("CHC"). Patient service revenues earned from operations are recorded based upon established billing rates less allowances for contractual adjustments. Revenues are recorded in the period the services are rendered and are based upon the estimated amounts due from the patients and third-party payers, including federal and state agencies (under Medicare and Medicaid programs), managed care health plans, commercial insurance companies, and other community payer sources and employers. Estimates of contractual allowances represent the difference between the University's established rates for services and amounts reimbursed by third-party payers based upon the payment terms specified in the related contractual agreements. Third-party payers' contractual payment terms are generally based upon prospectively determined rates, reimbursed costs, discounted charges, per diem arrangements, and other payment formulas.

The University on behalf of both MWC and CHC entered into multiple agreements related to its patient service revenue activities. The funds received under these agreements are either applied as payments against outstanding patient accounts or are recorded as revenue, if not applied to patient accounts. For the year ended June 30, 2015 and for the quarter ended September 30, 2015, CON's MWC and CHC contracted with Phyllis, Inc. for patient billing related services. Such services will contractually terminate effective December 31, 2016. Effective October 2015, the University contracted with eClinicalWorks, under a five-year agreement to provide web hosted patient billing services replacing Phyllis, Inc. as the contracted billing company.

The University's patient service revenue (net of contractual adjustments and provisions for bad debts) was \$663,013 and \$586,428 for the years ended June 30, 2016 and 2015, respectively.

The components of net patient service revenue for the years ended June 30, 2016 and June 30, 2015, respectively, are summarized as follows:

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**  
**(with comparative totals for the year ended June 30, 2015)**

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**Note 1. Description and Nature of Organization and Significant Accounting Policies (continued)**

	Patient Service Revenue			Total 2016	Total 2015
	Memory and Wellness Center (MWC)	Community Health Center (CHC)	Clinical Activities Unrelated to MWC or CHC		
Patient service revenue, gross	\$ 940,267	\$ 502,698	\$ 2,210	\$ 1,445,175	\$ 1,476,584
Contractual adjustments	(366,080)	(375,849)	-	(741,929)	(854,490)
	574,187	126,849	2,210	703,246	622,094
Provisions for bad debts	(2,600)	(37,633)	-	(40,233)	(35,666)
<b>Patient service revenue, net</b>	<b>\$ 571,587</b>	<b>\$ 89,216</b>	<b>\$ 2,210</b>	<b>\$ 663,013</b>	<b>\$ 586,428</b>

**Medicare:** Services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The University is reimbursed as determined by the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services. Such rates are adjusted annually as published.

**Medicaid:** Services rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology. The University is reimbursed at an agreed-upon rate based on contract negotiations.

**Other payers:** The University has also entered into payment arrangements with certain commercial insurance carriers and other community payer sources. The basis for payment to the University under these arrangements includes prospectively determined rates and discounts from established charges.

**Accounts Receivable:**

Accounts receivable as of June 30, 2016 and 2015 are comprised of the following:

Medical Staffing Accounts Receivable: The balance represents charges for medical staffing services provided prior to the end of the fiscal year but not yet collected. Allowances for doubtful accounts are recorded based on management's best estimate as of the fiscal year end considering type, age, collection history, and other factors deemed appropriate. As of the fiscal year ended 2016 and 2015, the amount of \$86,795 and \$66,678 was due from third parties for medical staffing services provided, respectively.

Patient Service Accounts Receivable: Patient receivables, where a third party is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payers.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**  
**(with comparative totals for the year ended June 30, 2015)**

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**Note 1. Description and Nature of Organization and Significant Accounting Policies**  
**(continued)**

Accounts receivable is presented net of allowance for doubtful accounts. In evaluating the collectability of accounts receivable, management analyzes its activity and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, management analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For example, an allowance would be calculated for expected uncollectible accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely.

For the year ended June 30, 2016, the MWC and CHC wrote off the portion of their accounts receivable balance totaling \$40,233 serviced by the Phyllis, Inc. billing company. MWC and CHC transitioned to eClinicalWorks billing company in October 2015; therefore, management wrote off the portion of their accounts receivable balance held by Phyllis, Inc. deemed uncollectible. For the year ended June 30, 2015, the MWC and CHC wrote off the portion of their accounts receivable balance totaling \$18,693. The CON's other clinical service activities did not maintain a material allowance for doubtful accounts nor were any significant write-offs incurred.

For receivables associated with clinic patients (which includes both patients without insurance "self-pay/uninsured" and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), management records an allowance for doubtful accounts in the period of service on the basis of its past experience. For the year ended June 30, 2016, the MWC established a provision for patient accounts recorded by Phyllis of \$2,600; comparatively for the year ended June 30, 2015 the amount of \$17,758 was recorded for the portion of the patient accounts serviced by Phyllis that were more than one-year-old. For the CHC, the majority of patients (approximately 63% and 65% representing "self-pay/uninsured" at June 30, 2016 and June 30, 2015, respectively) are unable or unwilling to pay the portion of the bill for which they are financially responsible. Effective October 1, 2015, the University, on behalf of the CHC, entered into a one-year funding agreement with the Health Care District of Palm Beach County (the "District") in which the District provided funding (a maximum of \$55,000) to the CHC for providing services to uninsured patients. As a result of this funding agreement, the Community Health Center's allowance for doubtful accounts balance was immaterial and the funds received from the District were applied against patient accounts in the years ended June 30, 2016 and 2015.

For the year ended June 30, 2016, the College of Medicine established an allowance for doubtful accounts related to medical staffing revenue of \$49,952; comparatively for the year ended June 30, 2015 the amount of \$13,226 was recorded as an allowance for doubtful accounts related to medical staffing revenue. The total allowance for doubtful accounts balance is equal to \$63,178 at June 30, 2016 as it relates to the COM medical staffing receivables.

**FAU Clinical Practice Organization, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**  
**(with comparative totals for the year ended June 30, 2015)**

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**Note 1. Description and Nature of Organization and Significant Accounting Policies (continued)**

For the College of Nursing and College of Medicine, the aggregate allowance for doubtful accounts totaled \$121,170 and \$30,984 for the fiscal years ended June 30, 2016 and 2015, respectively.

Amounts due from third party payers and self-pay/uninsured patients for medical services provided at June 30, 2016 and 2015 totaled \$55,511 and \$69,495, respectively. The components of patient receivables at June 30, 2016 and 2015 are summarized below. A reserve for contractual adjustments was not maintained for the years ended June 30, 2016 and 2015, because contractual adjustments directly offset patient service revenue as recorded each month.

	<b>Memory and Wellness Center (MWC)</b>	<b>Community Health Center (CHC)</b>	<b>Total 2016</b>	<b>Total 2015</b>
Accounts receivable, gross	\$ 61,753	\$ 51,749	\$ 113,502	\$ 87,253
Reserve for uncollectible accounts	(20,358)	(37,633)	(57,991)	(17,758)
<b>Total</b>	<b>\$ 41,395</b>	<b>\$ 14,116</b>	<b>\$ 55,511</b>	<b>\$ 69,495</b>

Patient service revenue and net patient service accounts receivable as of and for the years ended June 30, 2016 and 2015, respectively, included amounts from the following payers for each medical center:

<b>Payers - June 30, 2016</b>	<b>Memory and Wellness Center (MWC)</b>	<b>Community Health Center (CHC)</b>	<b>Clinical Activities Unrelated to MWC or CHC</b>
Medicare	68%	3%	0%
Medicaid	0%	1%	0%
Other Public	0%	6%	0%
Insurance	16%	27%	0%
Self-pay /Uninsured	16%	63%	0%
Aid to Victims of Domestic Abuse (AVDA)	0%	0%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>Payers - June 30, 2015</b>	<b>Memory and Wellness Center (MWC)</b>	<b>Community Health Center (CHC)</b>	<b>Clinical Activities Unrelated to MWC or CHC</b>
Medicare	64%	3%	0%
Medicaid	0%	13%	0%
Other Public	0%	0%	0%
Insurance	14%	19%	0%
Self-pay /Uninsured	22%	65%	0%
Aid to Victims of Domestic Abuse (AVDA)	0%	0%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Note 2. Cash**

**Custodial credit risk:** Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is the Organization's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Under Florida statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral equal to between 50% and 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, corporate bonds) to public deposits is dependent upon the depository institution's financial history and its compliance with Florida Statutes, Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

**Note 3. Related Party Transactions**

At June 30, 2016, the net amount due to the University totaled \$18,474, representing \$43,365 in revenue/deposits pending to be transferred and \$61,839 in expenses paid on behalf of the Organization pending reimbursement. Comparatively, at June 30, 2015, the net amount due from the University totaled \$7,552, representing \$8,828 in revenue/deposits pending to be transferred and \$1,276 in expenses paid on behalf of the Organization pending reimbursement.

**Note 4. Risk Management**

The Organization is a protected entity under the Florida Atlantic University College of Medicine Self-Insurance Program.