



Item: AC: I-1c

AUDIT AND COMPLIANCE COMMITTEE

Friday, December 6, 2019

SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS OF FAU DIRECT SUPPORT ORGANIZATIONS: FAU CLINICAL PRACTICE ORGANIZATION FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019.

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, 2019 and were presented to the FAU CPO Board of Directors on October 10, 2019.

IMPLEMENTATION PLAN/DATE

Not applicable.

FISCAL IMPLICATIONS

Not applicable.

Supporting Documentation: FAU CPO Financial Report for the Year Ended June 30, 2019.

Presented by: Mr. Jeff Atwater, VP for Financial Affairs and CFO

Phone: 561-297-3267

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

Financial Report
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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, 2019, and the changes in financial position, and 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements, in our report dated October 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019, 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 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 the Organization's 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
October 4, 2019

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 (thereafter "University") for the fiscal years ended June 30, 2019 and 2018, 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 \$ 5.1 million and \$ 4.3 million for the years ended June 30, 2019 and 2018, respectively. Expenses representing operating expenses associated with the direct operations of the Organization totaled approximately \$ 5.2 million and \$ 4.6 million for the years ended June 30, 2019 and 2018, 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, or requests for additional financial information should be addressed to the Treasurer, Clinical Practice Organization, Florida Atlantic University, 777 Glades Road, NU-84 301, Boca Raton, Florida 33431.

FINANCIAL STATEMENTS

FAU Clinical Practice Organization, Inc.
Statement of Net Position
June 30, 2019
(with comparative totals as of June 30, 2018)

| Assets: | <u>2019</u> | <u>2018</u> |
|--|-------------------|---------------------|
| Current Assets: | | |
| Cash in bank | \$ 295,706 | \$ 704,894 |
| Accounts receivable, net | 647,609 | 503,874 |
| Total assets | <u>\$ 943,315</u> | <u>\$ 1,208,768</u> |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable and other liabilities | \$ 11,200 | \$ 30,750 |
| Due to University | 573,335 | 735,166 |
| Total liabilities | <u>584,535</u> | <u>765,916</u> |
| Total unrestricted net position | <u>358,780</u> | <u>442,852</u> |
| Total liabilities and net position | <u>\$ 943,315</u> | <u>\$ 1,208,768</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, 2019
(with comparative totals for the year ended June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Operating Revenues: | | |
| Patient service revenue, net of contractual adjustments and provision for bad debts | \$ 1,172,972 | \$ 950,993 |
| Medical staffing revenue, net of provision for bad debts | <u>3,895,272</u> | <u>3,359,850</u> |
| Total operating revenues | <u>5,068,244</u> | <u>4,310,843</u> |
| Operating Expenses: | | |
| Personnel costs | 4,849,246 | 4,285,746 |
| Contracted services | 158,897 | 119,971 |
| Other expenses | 62,642 | 106,014 |
| Medical and lab supplies | 40,813 | 40,831 |
| Insurance | <u>40,718</u> | <u>28,148</u> |
| Total operating expenses | <u>5,152,316</u> | <u>4,580,710</u> |
| | | |
| Operating income (loss) | <u>(84,072)</u> | <u>(269,867)</u> |
| | | |
| Change in net position | (84,072) | (269,867) |
| | | |
| Net Position: | | |
| Beginning of year | 442,852 | 712,719 |
| End of year | <u>\$ 358,780</u> | <u>\$ 442,852</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, 2019
(with comparative totals for the year ended June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|--------------------|
| Cash Flow From Operating Activities: | | |
| Cash received from customers and patients | \$ 5,036,316 | \$ 4,199,820 |
| Cash paid to suppliers | <u>(5,445,504)</u> | <u>(4,065,145)</u> |
| Net cash provided by (used in) operating activities | <u>(409,188)</u> | <u>134,675</u> |
| Cash: | | |
| Beginning of year | 704,894 | 570,219 |
| End of year | <u>\$ 295,706</u> | <u>\$ 704,894</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | |
| Operating income (loss) | \$ (84,072) | \$ (269,867) |
| (Increase) decrease in accounts receivable, net | (143,735) | (253,144) |
| Increase (decrease) in accounts payable and other liabilities | (19,550) | 20,150 |
| Increase (decrease) in due to University | <u>(161,831)</u> | <u>637,536</u> |
| Net cash provided by (used in) operating activities | <u>\$ (409,188)</u> | <u>\$ 134,675</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, 2019
(with comparative totals for the year ended June 30, 2018)

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 thirteen (13) 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.

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.

FAU Clinical Practice Organization, Inc.
Notes to Financial Statements
June 30, 2019
(with comparative totals for the year ended June 30, 2018)

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

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 October 4, 2019, 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.

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.

The University entered into various agreements on behalf of the College of Nursing ("CON") to provide medical staffing services performed by licensed nurse practitioners at clinics and health centers throughout the Palm Beach County and the State of Florida.

FAU Clinical Practice Organization, Inc.
Notes to Financial Statements
June 30, 2019
(with comparative totals for the year ended June 30, 2018)

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

The University on behalf of the College of Medicine (“COM”) has entered into various agreements to provide clinical staffing services by FAU faculty physicians at healthcare settings throughout Palm Beach County, Florida. The College of Medicine also has an Intra-FAU Service and Affiliation agreement with Florida Atlantic University Student Health Services to include obstetrical and gynecological services to be provided by COM faculty physicians at the FAU Student Health Services.

All medical staffing services rendered are invoiced in accordance with the agreements. The Organization’s medical staffing revenues (net of bad debts) totaled \$ 3,895,272 (\$ 3,892,208 and \$ 3,064 for the College of Medicine and College of Nursing, respectively) and \$ 3,359,850 (\$ 3,312,780 and \$ 47,070 for the College of Medicine and College of Nursing, respectively) for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Patient Service Revenue

The University operates and provides medical services to patients at its Memory and Wellness Center (“MWC”), Community Health Center (“CHC”), Comprehensive Center for Brain Health (“CCBH”), and FAUMedicine Faculty Practice (“FFP”). Patient service revenues earned from operations are recorded based upon established billing rates less allowances for contractual adjustments. Revenues are based upon the estimated amounts due from the patients and third-party payers, including federal and state agencies (including Medicare and Medicaid programs), managed care health plans, commercial insurance companies, other community payer sources and employers.

The Organization opened a new site of service, FFP, in February 2019. The site is a primary care practice staffed by faculty physicians and staff of the College of Medicine. The site delivers outpatient services to residents of Boca Raton and surrounding communities.

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.

FAU Clinical Practice Organization, Inc.
Notes to Financial Statements
June 30, 2019
(with comparative totals for the year ended June 30, 2018)

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

The University on behalf of MWC, CHC, CCBH, and FFP entered into multiple agreements related to its patient service revenue activities. The funds received under these agreements are applied as payments against outstanding patient accounts. The net patient service revenue received by the University is assigned to and recognized by the Organization.

The Organization's patient service revenue (net of contractual adjustments and provisions for bad debts) was \$ 1,172,972 and \$ 950,993 for the years ended June 30, 2019 and 2018, respectively.

The components of net patient service revenue for the years ended June 30, 2019 and 2018, respectively, are summarized as follows:

| | Patient Service Revenue | | | | Total 2019 | Total 2018 |
|-------------------------------------|---|--|---|---|-----------------------|-----------------------|
| | Memory and Wellness Center (MWC) | Community Health Center (CHC) | Comprehensive Center for Brain Health (CCBH) | FAUMedicine Faculty Practice (FFP) | | |
| Patient service revenue, gross | \$ 950,023 | \$ 599,616 | \$ 415,336 | \$ 177,862 | \$ 2,142,837 | \$ 1,669,528 |
| Contractual adjustments | (310,354) | (355,823) | (160,876) | (133,036) | (960,089) | (714,321) |
| | 639,669 | 243,793 | 254,460 | 44,826 | 1,182,748 | 955,207 |
| Provisions for bad debts | (3,514) | (2,438) | (177) | (3,647) | (9,776) | (4,214) |
| Patient service revenue, net | \$ 636,155 | \$ 241,355 | \$ 254,283 | \$ 41,179 | \$ 1,172,972 | \$ 950,993 |

Accounts Receivable:

Accounts receivable as of June 30, 2019 and 2018 are comprised of 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, collection history, and other factors deemed appropriate. Accounts receivable (net of allowance for doubtful accounts) due from third parties for medical staffing services totaled \$ 476,168 and \$ 436,652 for fiscal years ended 2019 and 2018, respectively. The allowance for doubtful accounts totaled \$ 56,178 for the fiscal year ended 2018. There was no allowance for doubtful accounts for the fiscal year ended 2019.

FAU Clinical Practice Organization, Inc.
Notes to Financial Statements
June 30, 2019
(with comparative totals for the year ended June 30, 2018)

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

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. Accounts receivable (net of allowance for doubtful accounts) due from third parties for patient services provided totaled \$ 171,441 and \$ 67,222 for the fiscal years ended 2019 and 2018, respectively. The allowance for doubtful accounts totaled \$ 12,821 and \$ 13,080 for the fiscal years ended 2019 and 2018, respectively.

Receivables include patients with insurance, self-pay/uninsured and, patients with deductible/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.

The components of patient receivables for the years ended June 30, 2019 and 2018 are summarized as follows:

| | Memory and Wellness Center (MWC) | Community Health Center (CHC) | Comprehensive Health Center (CCBH) | FAUMedicine Faculty Practice (FFP) | Total 2019 | Total 2018 |
|------------------------------------|---|--------------------------------------|---|---|-------------------|-------------------|
| Accounts receivable, gross | \$ 92,003 | \$ 26,570 | \$ 25,163 | \$ 40,526 | \$ 184,262 | \$ 80,302 |
| Reserve for uncollectible accounts | (6,559) | (2,438) | (177) | (3,647) | (12,821) | (13,080) |
| Total | \$ 85,444 | \$ 24,132 | \$ 24,986 | \$ 36,879 | \$ 171,441 | \$ 67,222 |

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.

FAU Clinical Practice Organization, Inc.
Notes to Financial Statements
June 30, 2019
(with comparative totals for the year ended June 30, 2018)

Note 2. Cash (continued)

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, 2019, the net amount due to the University totaled \$ 573,335, representing \$ 108,745 in revenue/deposits pending to be transferred and \$ 682,080 in expenses paid on behalf of the Organization pending reimbursement. Comparatively, at June 30, 2018, the net amount due to the University totaled \$ 735,166, representing \$ 231,957 in revenue/deposits pending to be transferred and \$ 967,123 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.

**OTHER REPORTS FROM
INDEPENDENT AUDITORS**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
FAU 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 FAU Clinical Practice Organization, Inc. (the "Organization"), a component unit of Florida Atlantic University, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 4, 2019