

**FLORIDA MEDICAL PRACTICE PLAN, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
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**JUNE 30, 2016 AND 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Florida Medical Practice Plan, Inc. (FMPP), a component unit of Florida State University, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise FMPP's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMPP, as of June 30, 2016, and 2015, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 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 11, 2016 on our consideration of the FMPP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

October 11, 2016  
Tallahassee, Florida

**FLORIDA MEDICAL PRACTICE PLAN, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

Florida Medical Practice Plan, Inc. (FMPP) is pleased to present its financial statements for the period ending June 30, 2016. The intent of the management's discussion and analysis (MD&A) of financial performance is to provide readers with a comprehensive picture of FMPP's financial condition and results of operations. This MD&A should be read in conjunction with the financial statements and related notes, as details provided there are not necessarily repeated in this analysis.

The report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The MD&A also includes comparative data from the audited financial statements for the periods ending June 30, 2015 and June 30, 2014.

### **FMPP OPERATING ENVIRONMENT**

As of June 30, 2016, FMPP supports three distinct operating activities: 1) Graduate Medical Education (GME) program sponsorships, 2) healthcare consulting and patient care, and 3) practice plan clinics.

- 1) Since 2006, FMPP supported GME residency program sponsorships in Obstetrics/Gynecology and Pediatrics at Sacred Heart Health System (SHHS) in Pensacola, Florida. In Spring 2014, FMPP received first notice from SHHS of its intent to transfer sponsorship of these residencies to another educational institution. On December 31, 2015, sponsorship of these programs transferred to another educational institution, as did all revenue and expense activity. Until this transfer, faculty and resident physicians were employees of Florida State University College of Medicine (FSUCOM), and all salaries and associated expenses were distributed through three FSUCOM auxiliary accounts. Direct operational expenses other than salaries and associated expenses incurred in support of the GME residency programs, and deemed to be the responsibility of FSUCOM pursuant to the affiliation agreement with SHHS, were disbursed directly by FMPP. For the year ended June 30, 2016, most reductions in assets, liabilities, revenue, and expenses are attributable to the termination of FSUCOM's sponsorship of these two programs.

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

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

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

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

In Fall 2014, FSUCOM executed a sponsorship agreement with DATFL in Tallahassee, Florida, to establish a GME Dermatology Residency. The ACGME approved the Dermatology Residency program to begin in 2015. The program is a three year program with the first residents beginning in July 2016 and will host a complement of six residents when at full capacity.

In Spring 2015, FSU COM executed a sponsorship agreement with Sarasota Memorial Hospital (SMH) in Sarasota, Florida, to establish a GME Internal Medicine Residency. The ACGME granted accreditation during fiscal year 2015-2016. The program will see its first residents in July 2017. It will be a three year program and host 39 residents when at full capacity.

- 2) Since 2010, FMPP has supported clinical service agreements with county health departments, community clinics, and private health care organizations through which FSUCOM faculty members provide health care consulting or patient care. Faculty members remain employees of FSUCOM. FMPP does not collect reimbursements from insurance companies or third-party payors for the services our faculty provide under these clinical service agreements, but is paid a flat, hourly, patient encounter or relative value unit rate for their services. Per FMPP's policy on practice plan activity, the salary of faculty who are committed 20% or more of their time to these clinical service agreements is reimbursed to FSU via an auxiliary account by FMPP. All other expenses other than salaries and associated expenses incurred in support of the service agreements, and deemed to be the responsibility of FSUCOM pursuant to said agreements, are disbursed directly by FMPP.
- 3) Since 2006, FMPP operated a family planning clinic in Pensacola, Florida due to FSUCOM's sponsorship of the obstetrics and gynecology residency program at a Catholic institution (SHHS), where such services are prohibited by Ethical and Religious Directives (ERDs) but required as part of an ACGME accredited OB/GYN residency program. Services in the clinic were provided by obstetrics and gynecology residency faculty, residents, and an on-site licensed practical nurse and registered nurse. FMPP engaged a local third-party billing company to bill third-party payors for services on behalf of FMPP. Net activity from the clinic was used to offset costs of the obstetrics and gynecology residency with SHHS. Due to the termination of FSUCOM's sponsorship of the obstetrics and gynecology residency, the clinic saw its last patient on December 23, 2015.

In April 2013, FMPP opened *FSU Senior Health*, a geriatric consultation clinic at Westminster Oaks active living community in Tallahassee, Florida. The clinic is staffed four half days a week with FSUCOM geriatricians and a practice manager, with other resources leased from Westminster Oaks. FMPP has engaged a local third-party billing company to bill third party payors for services on behalf of FMPP.

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

**ORGANIZATION AND REQUESTS FOR INFORMATION**

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

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

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

**OVERVIEW OF FINANCIAL STATEMENTS**

**PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS**

During the course of the audit for the fiscal year ended June 30, 2016, FMPP noted several fiscal year 2015 reclassifications and a prior period adjustment necessary to more accurately reflect financial operations and obligations. The asset reclassifications involved moving cash held in investments from Investments to Cash (\$27,469) and Investments with The Florida State University Foundation (FSUF) to Due from Related Parties (\$750,000). The prior period adjustment identified compensated absences for faculty assigned to clinical service agreements and for FMPP administrative support that are not liabilities of FMPP. The prior period adjustment resulted in reductions in the Due to Auxiliary liability in the Statements of Net Position and Florida State University College of Medicine Salary Support in Operations Expenses of the Statements of Net Revenues, Expenses, and Changes in Net Position of \$93,556. The net effect of these changes to fiscal year 2015 financial statements resulted in an increase in Net Operating Income and thus an increase in Net Position of \$93,556. The June 30, 2015 balances as presented in the MD&A have been restated to reflect these changes. Additional information related to these prior period adjustments can be found in **Note 8 - Prior Period Reclassifications and Adjustment** in the accompanying notes to the financial statements.

**THE STATEMENTS OF NET POSITION**

The statements of net position present the financial position of FMPP as of June 30, 2016 and 2015. From this data, readers can determine the assets available to continue the operations of the organization. The statement also provides a picture of the net position (assets minus liabilities) and an indication of assets available to meet future obligations. The change in net position is one indicator of whether the overall financial condition has improved or worsened during the year.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

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

**CONDENSED STATEMENTS OF NET POSITION**

	<b>2016</b>	<b>As Restated 2015</b>	<b>2014</b>
<b>Assets</b>			
Current Assets	\$ 4,234,474	\$ 4,622,522	\$ 3,701,473
<b>Total Assets</b>	<u>4,234,474</u>	<u>4,622,522</u>	<u>3,701,473</u>
<b>Liabilities</b>			
Current Liabilities	1,892,473	3,039,276	2,927,030
<b>Total Liabilities</b>	<u>(1,892,473)</u>	<u>(3,039,276)</u>	<u>(2,927,030)</u>
<b>Total Net Position</b>	<u>\$ 2,342,001</u>	<u>\$ 1,583,246</u>	<u>\$ 774,443</u>

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

At June 30, 2016, FMPP total assets equaled \$4,234,474, a decrease of \$388,048 over the prior year. The largest decrease is due to the termination of FSUCOM's sponsorship of the Obstetrics and Gynecology and Pediatrics residencies at Sacred Heart Hospital during the year ended June 30, 2016. Because sponsorship of the programs transferred to another sponsoring educational institution on December 31, 2015, there were no accrued payroll or compensated absences due from Sacred Heart at June 30, 2016. This transfer led to an 80% decrease in amounts Due from GME Partners, which totaled \$253,865 and \$1,275,929 for 2016 and 2015, respectively, for all GME programs.

At June 30, 2015, FMPP total assets equaled \$4,622,522, an increase of \$921,049 over the previous year.

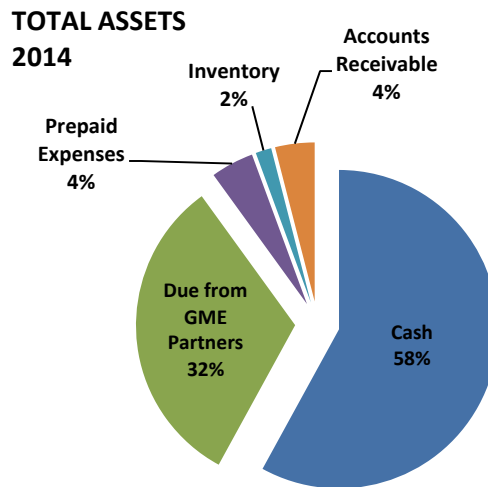
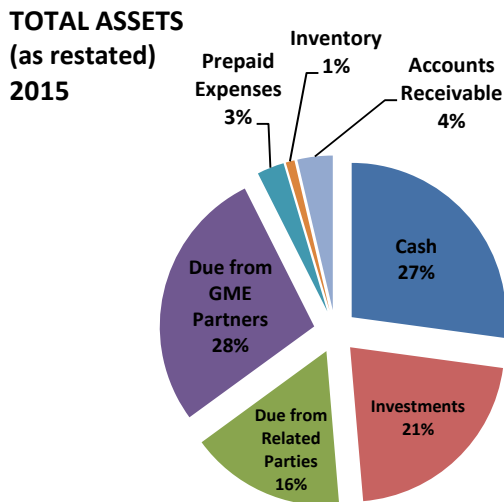
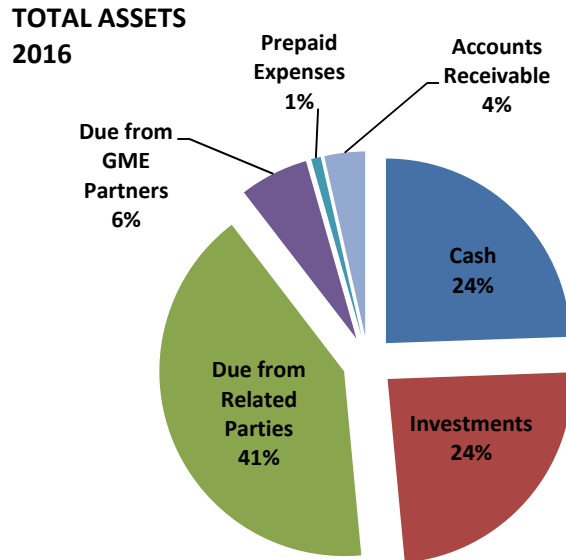
Further details regarding Current Assets is as follows:

	<b>2016</b>	<b>As Restated 2015</b>	<b>2014</b>
Cash	\$ 1,034,408	\$ 1,254,680	\$ 2,146,051
Investments	1,019,476	994,880	-
Due from Related Parties	1,739,488	753,471	8,062
Accounts Receivable, Net of Allowance	150,667	170,072	139,834
Due from GME Partners	253,865	1,275,929	1,185,726
Prepaid Expenses	36,570	131,644	162,298
Inventory	-	41,846	59,502
<b>Total Current Assets</b>	<u>\$ 4,234,474</u>	<u>\$ 4,622,522</u>	<u>\$ 3,701,473</u>



**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

Due from Related Parties (\$1,739,488, \$753,471 and \$8,062 as of June 30, 2016, 2015, and 2014, respectively), are comprised mainly of FMPP investments held by FSU and FSUF. The following charts present FMPP's asset categories as of June 30, 2016, 2015 and 2014:



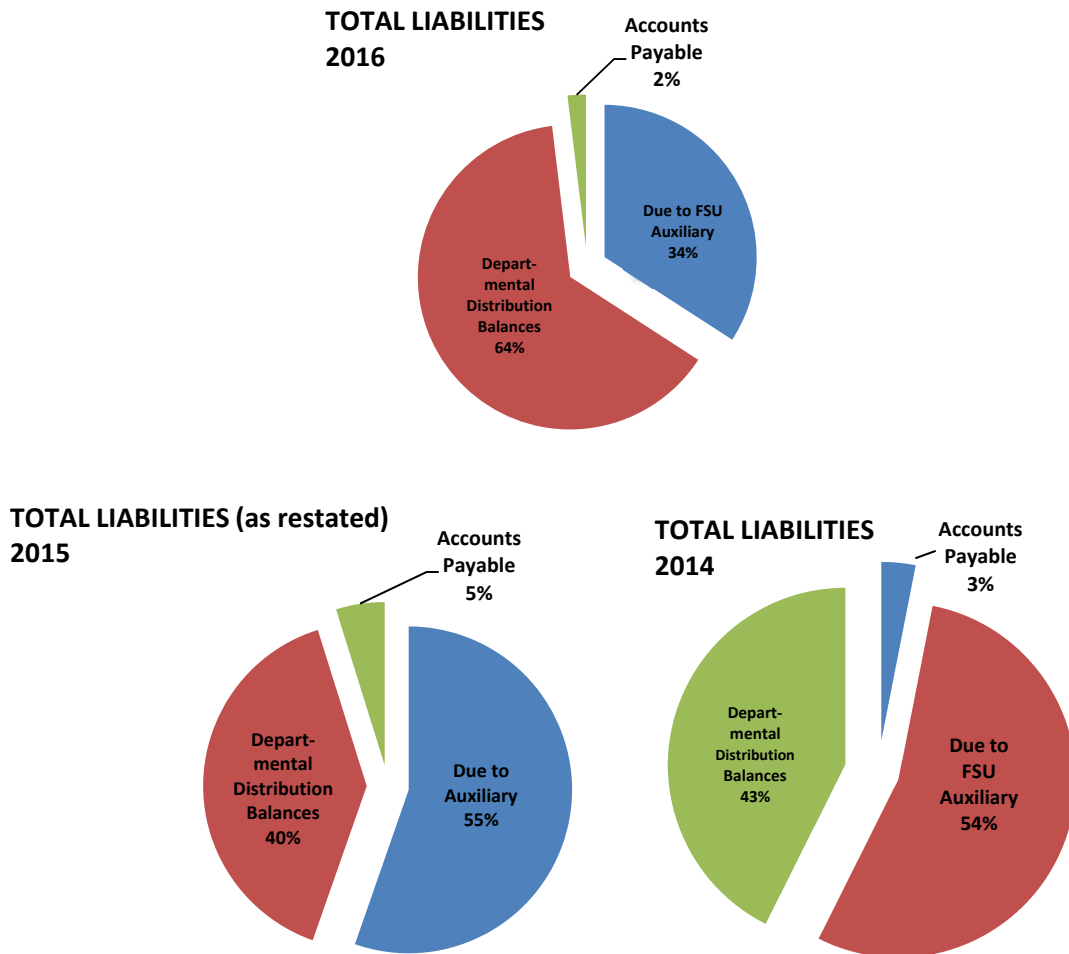
**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

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

At June 30, 2016, FMPP total liabilities equaled \$1,892,473, a decrease of \$1,146,803 from June 30, 2015. The decrease of 90% (\$1,037,811) is attributable to the sponsorship transfer of the obstetrics and gynecology and pediatrics residency programs to another educational institution and represents the adjustments to zero of accrued payroll and compensated absences for employees of those programs.

At June 30, 2015, FMPP total liabilities equaled \$3,039,276, an increase of \$112,246 from June 30, 2014. Growth in the Due to Auxiliary liability category, which includes accrued compensated absences, accrued payroll, and administrative premiums due to FSUCOM auxiliaries for GME support, comprises the main source of this increase.

The following charts present FMPP's liability categories for 2016, 2015 and 2014:

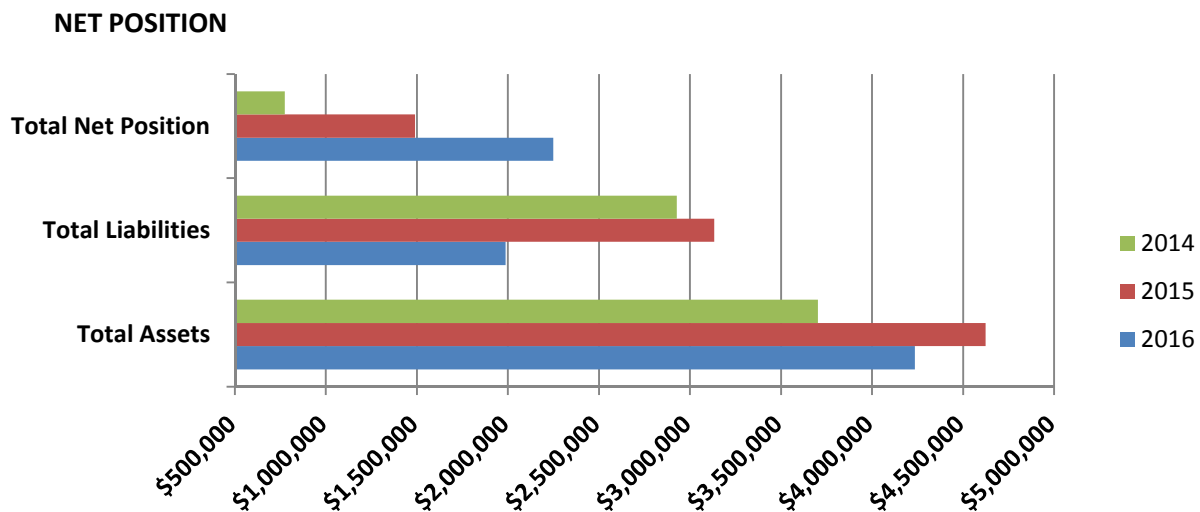


**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

FSUCOM departmental distribution balances represent net funds distributed to FSUCOM departments for faculty work on clinical service agreements. Expense activity from the departmental distribution accounts generally represented FSUCOM salary support, professional development, professional fees, and gifts to the FSUF. Since the funds are held for use by FSUCOM departments and does not represent corporate activity of FMPP, the activity is more appropriately classified as a liability, a change made in the financial statements presentation for the year ending June 30, 2015. Prior to 2015, this activity was reported in FMPP's expense activity but calculated for the prior year's MD&A. At June 30, 2016, the balance decreased by only \$3,573. At June 30, 2015, the balance decreased by \$35,986 over the prior twelve-month period. Both reductions indicate more funds were spent by departments than were distributed.

At June 30, 2016, net position totaled \$2,342,001, an increase of \$758,755 the year ended June 30, 2015. At June 30, 2015, net position totaled \$1,583,246, an increase of \$808,803 over the previous year.

The following chart presents FMPP's net position for 2016, 2015, and 2014:



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

The statements of net revenues, expenses, and changes in net position present FMPP's revenues earned and expenses incurred as of June 30, 2016, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. In general, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of FMPP.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

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

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

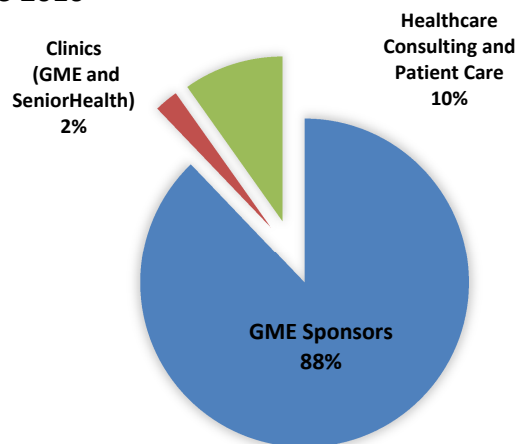
	<u>2016</u>	<u>As Restated 2015</u>	<u>2014</u>
Operating Revenues	\$ 8,844,365	\$ 12,416,967	\$ 12,058,182
Operating Expenses	(8,106,790)	(11,635,283)	(12,258,846)
Net Operating Income (Loss)	737,575	781,684	(200,664)
Non-operating Revenues	21,180	27,119	4,390
Income (Loss)/ Change in Net Position	758,755	808,803	(196,274)
Net Position, Beginning of Year	1,583,246	774,443	970,717
Net Position, End of Year	<u>\$ 2,342,001</u>	<u>\$ 1,583,246</u>	<u>\$ 774,443</u>

At June 30, 2016, FMPP operating revenues totaled \$8,844,365, a decrease of \$3,572,602 over the prior year. This decrease is attributable to the termination of FSUCOM's sponsorship of the obstetrics and gynecology and pediatrics residencies at Sacred Heart Hospital.

At June 30, 2015, FMPP operating revenues totaled \$12,416,967, an increase of \$358,785 over the year ended June 30, 2014. New residency programs account for part of the increase in revenues.

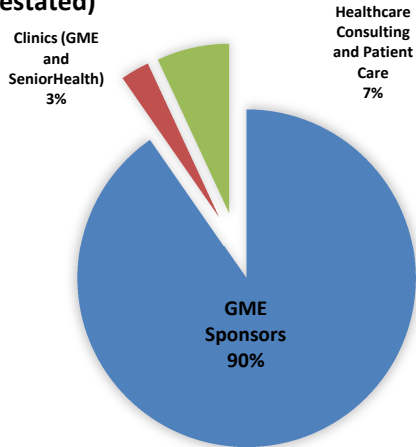
The following charts present FMPP's revenues for operating activities for 2016, 2015, and 2014.

**REVENUES USED TO FUND OPERATING  
ACTIVITIES 2016**

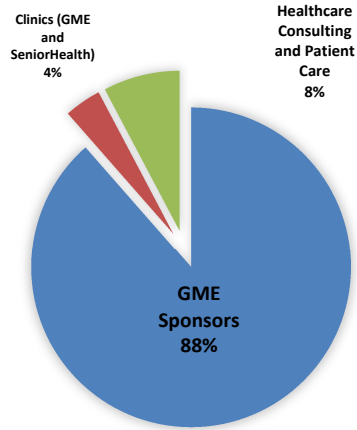


**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

**REVENUES USED TO FUND  
OPERATING ACTIVITIES 2015  
(as restated)**



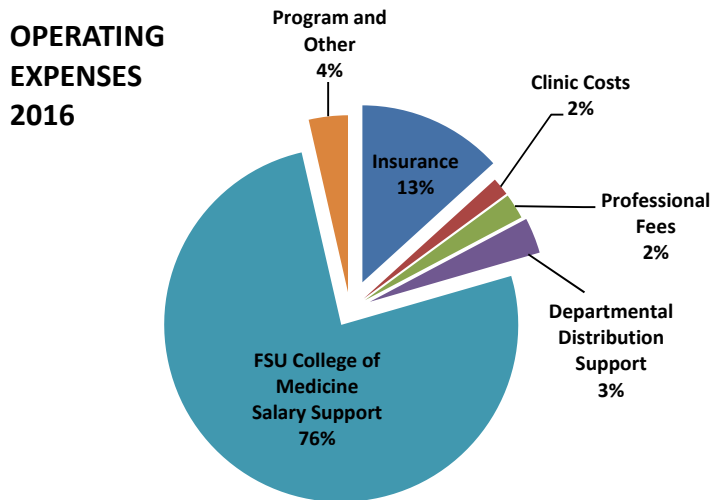
**REVENUES USED TO FUND  
OPERATING ACTIVITIES 2014**



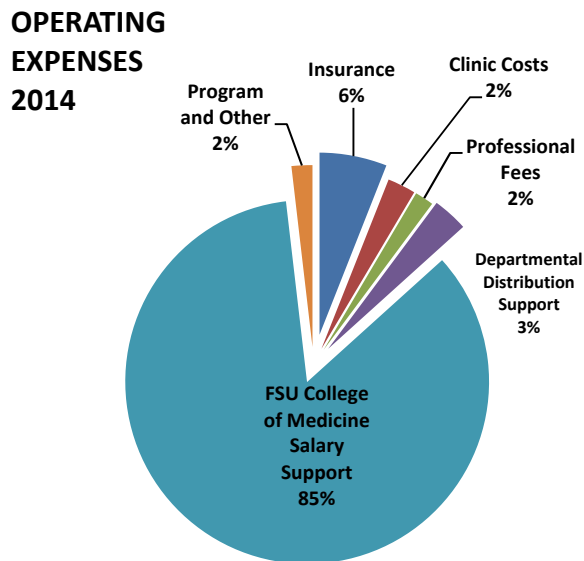
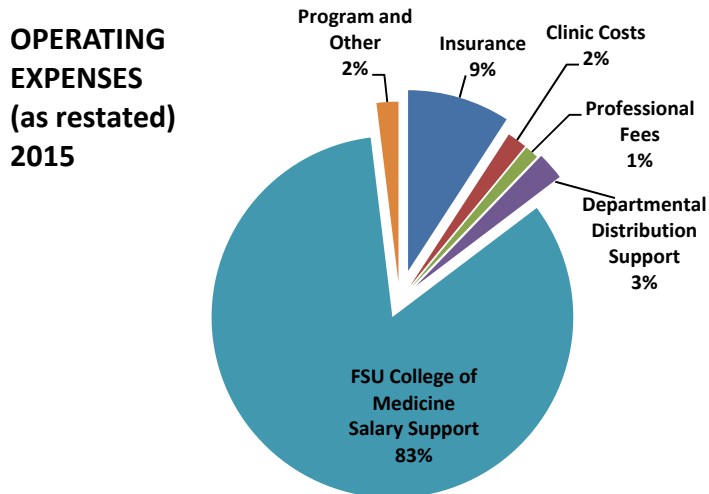
At June 30, 2016, FMPP total operating expenses equaled \$8,106,790, a decrease of \$3,528,493 over the prior twelve-month period, primarily due to the salary support previously required by FSUCOM's sponsorship of the obstetrics and gynecology residency programs. When the programs terminated on December 31, 2015, these expenses were no longer incurred.

At June 30, 2015, FMPP total operating expenses equaled \$11,635,283, a decrease of \$623,562 over the previous year, primarily due to a decrease in residency faculty compensation for faculty that transferred employment from FSUCOM to the hospital partner.

The following charts present FMPP's expenses for operating activities for 2016, 2015, and 2014:



**FLORIDA MEDICAL PRACTICE PLAN, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015  
(Continued)**



**THE STATEMENTS OF CASH FLOWS**

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**  
(Continued)

The following table shows a condensed statement of cash flows at June 30:

**CONDENSED STATEMENTS OF CASH FLOWS**

	<u>2016</u>	<u>As Restated 2015</u>	<u>2014</u>
<b>Cash Provided (Used By):</b>			
Operating Expenses	\$ 769,957	\$ 826,390	\$ 50,245
Investing Activities	(990,229)	(1,717,761)	4,390
<b>Cash Increase (Decrease)</b>	<u>(220,272)</u>	<u>(891,371)</u>	<u>54,635</u>
<b>Cash, Beginning of Year</b>	1,254,680	2,146,051	2,091,416
<b>Cash, End of Year</b>	<u>\$ 1,034,408</u>	<u>\$ 1,254,680</u>	<u>\$ 2,146,051</u>

For the year ended June 30, 2016, overall cash decrease by \$220,272 over the previous year ended June 30, 2015. Although GME assets and liabilities reduced due to the termination of the FSUCOM's obstetrics and gynecology and pediatrics residencies on December 31, 2015, FMPP was able to invest an additional \$1,000,000 in FSU's SPIA funds.

During 2015, \$1,750,000 of idle funds were invested, which contributed to the overall reduction in Cash over the previous year ended June 30, 2014.

**SUMMARY**

Overall, FMPP ends the fiscal year ending June 30, 2016 with a strong financial position, holding more in current assets than necessary to cover current liabilities.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,034,408	\$ 1,254,680
Investments	1,019,476	994,880
Due from related parties	1,739,488	753,471
Accounts receivable, net	150,667	170,072
Prepaid expenses	36,570	131,644
Inventory	-	41,846
Due from GME partners	253,865	1,275,929
Total current assets	4,234,474	4,622,522
 <b>Total assets</b>	 4,234,474	 4,622,522
 <u>LIABILITIES AND NET POSITION</u>		
<b>Current liabilities</b>		
Accounts payable	36,268	146,487
Due to auxiliary	644,314	1,682,125
Deferred revenue	4,800	-
Departmental distribution balances	1,207,091	1,210,664
Total current liabilities	1,892,473	3,039,276
<b>Total liabilities</b>	1,892,473	3,039,276
 <b>Net position</b>		
Unrestricted	2,342,001	1,583,246
<b>Total net position</b>	\$ 2,342,001	\$ 1,583,246

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



**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating revenues</b>		
Clinical revenue, net of contractual adjustments and bad debts	\$ 8,844,365	\$ 12,416,967
Total operating revenues	8,844,365	12,416,967
<b>Operating expenses</b>		
Banking fees	18,116	5,792
Insurance	1,074,662	1,076,772
Departmental distribution support	265,872	291,739
Medical services	4,000	11,925
Medical equipment and supplies	130,262	197,990
Office supplies, publications, and printing	94,036	80,300
Professional fees	188,309	145,780
Program and professional development	178,742	141,059
Florida State University College of Medicine salary support	6,152,791	9,683,926
Total operating expenses	8,106,790	11,635,283
<b>Operating income</b>	737,575	781,684
<b>Non operating revenues</b>		
Investment income	21,180	27,119
Total nonoperating revenues	21,180	27,119
<b>Change in net position</b>	758,755	808,803
<b>Net position, beginning of year (as restated - see Note 8)</b>	1,583,246	774,443
<b>Net position, end of year</b>	\$ 2,342,001	\$ 1,583,246

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
GME and clinical revenue	\$ 9,891,430	\$ 13,865,205
Payments to vendors	(1,930,871)	(3,712,591)
Transfers to Florida State University College of Medicine		
Auxiliary -reimbursement of compensation cost	(7,190,602)	(9,326,224)
Net cash provided by operating activities	769,957	826,390
 <b>Cash flows from investing activities</b>		
Purchase of investments with related parties	(1,000,000)	(750,000)
Purchase of investments	-	(972,531)
Investment income	9,771	4,770
Net cash used in investing activities	(990,229)	(1,717,761)
 <b>Net decrease in cash and cash equivalents</b>	(220,272)	(891,371)
 <b>Cash and cash equivalents, beginning of year</b>	1,254,680	2,146,051
 <b>Cash and cash equivalents, end of year</b>	\$ 1,034,408	\$ 1,254,680
 <b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 737,575	\$ 781,684
Change in assets - decrease (increase) and		
Liabilities - increase (decrease)		
Due from related parties	796	4,591
Accounts receivable	19,405	(30,239)
Prepaid expenses	95,074	30,654
Inventory	41,846	17,657
Due from GME partners	1,022,064	(90,203)
Accounts payable	(110,219)	55,967
Due to auxiliary	(1,037,811)	92,263
Deferred revenue	4,800	-
Departmental distribution balance	(3,573)	(35,984)
<b>Net cash provided by operating activities</b>	\$ 769,957	\$ 826,390

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 1— Reporting Entity:**

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

**Note 2 – Summary of Significant Accounting Policies:**

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

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

**Classification of Revenues**

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

- **Operating Revenues**—Include activities that have the characteristics of exchange transactions, such as Graduate Medical Education (GME) revenue and clinical revenue.
- **Nonoperating Revenues**—Include activities that have characteristics of nonexchange transactions, such as investment income.

**Net Position**

FMPP's net position is classified as follows:

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

**Investments**

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

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

Some investments are presented as Due from Related Parties on the Statements of Net Position.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

**Accounts Receivable**

Accounts receivable are reported net of an allowance for uncollectible accounts and an estimate of contractual allowances. The allowance for uncollectible accounts and the estimate of contractual allowances is established with charges against clinical revenues. The allowance is based on management's estimate of collectability, third party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. As of June 30, 2016 and 2015, the allowance for doubtful accounts totaled \$12,646 and \$2,484, respectively.

**Due from Related Parties**

In accordance with an agreement executed in June 2015, the FMPP participates in the long-term investment pool of FSUF. Funds are considered fully liquid and can be redeemed with a minimum notice of seven business days. Decisions regarding the types of instruments and the portion of FMPP portfolio invested in each are in accordance with policies approved by the FSUF Board and/or its Investment Committee. Performance is not guaranteed by FSUF. Therefore, risks are present which may adversely affect the value of this investment. An annual administrative fee of 1.5% is paid to the FSUF quarterly. The fair value of this investment at June 30, 2016 and 2015 was \$720,406 and \$750,000, respectively. Earnings are reported as investment income.

Further details regarding the investment holdings and activities of FSUF are included in the note disclosures of FSUF's annual financial statements, which may be found at <http://foundation.fsu.edu/about/financial-information>.

Effective October 26, 2015, the FMPP entered into an investment services agreement with the University to participate in the Florida State Treasury Special Purpose Investment Account (SPIA) which invests in a combination of short-term liquid instruments and intermediate-term fixed income securities. The University owns a share of the SPIA investment pool and not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.61 years and a fair value factor of 1.0143 at June 30, 2016. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

FMPP funds are recorded by the University in a uniquely identifiable account and are fully liquid with one day's business notice. There are no fees associated with these investments other than those netted against earnings by SPIA on the University account. The fair value of this investment at June 30, 2016 and 2015 was \$1,016,406 and \$0, respectively. Earnings are reported as investment income.

Due from related parties at June 30, 2016 and 2015 also includes \$2,676 and \$3,471 of other balances due from the University.

**Revenues**

Revenues are derived primarily from GME affiliation agreements with Sacred Heart Hospital in Pensacola, Florida, Lee Memorial Health Systems in Ft. Myers, Florida, Tallahassee Memorial Healthcare in Tallahassee, Florida, Dermatology Associates of Tallahassee, Florida, and Sarasota Memorial Hospital in Sarasota, Florida whereby the partners pay FMPP based on costs incurred under respective contracts. The affiliation agreement with Sacred Heart Hospital in Pensacola, Florida ended on December 31, 2015. In addition to its GME programs, FMPP receives revenues from various contractual arrangements with third parties whereby FSUCOM faculty provide health care consulting and/or patient care services. FMPP also operates two geriatric clinics, one opened during the year ended June 30, 2013 and one opened during the year ended June 30, 2014. FMPP received 88% of its revenues from its GME affiliation agreements as of June 30, 2016, and 90% of its revenues from the GME affiliation agreements in 2015.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

**Expenses**

Expenses are recognized on the accrual basis of accounting.

**Fixed Assets**

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

**Use of Estimates**

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

**Income Taxes**

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

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

**Subsequent Events**

FMPP has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 11, 2016, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**Note 3 – Deposits and Investments:**

**Cash and Cash Equivalents**

Included in FMPP's cash and cash equivalents are amounts on deposit with a commercial bank. The amounts on deposit with a commercial bank are readily available for use by FMPP and are qualified in accordance with the provisions of Chapter 280, Florida Statutes, as a public depository, which ensures deposits are fully collateralized. Additionally, some cash funds are held by CapTrust Financial Advisors. These funds are considered cash equivalents. As of June 30, 2016 and June 30, 2015, the carrying amount of FMPP's deposits was \$1,034,408 and \$1,254,680, respectively, and the bank balance was \$1,034,503 and \$1,260,187, respectively.

**Investments**

Some FMPP investments are held in accounts by the University and FSUF as discussed in Note 2 Due from Related Parties. Additionally, the FMPP invested in the following mutual funds:

*Indexed Mutual Funds*—Equity mutual fund investments consist of shares owned in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund. Bond mutual fund investments consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund.

FMPP categorizes the fair value measurement of these funds within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

FMPP has the following recurring fair value measurements as of June 30, 2016 and 2015:

*Mutual funds*—Valued at the daily closing price as reported by the fund. Mutual funds held by FMPP are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by FMPP are deemed to be actively traded.

*Due from related parties*—Amounts due from related parties are valued at FMPP’s ownership of a share of an investment pool, not the underlying securities. FMPP relies on policies developed and administered by the University and FSUF for managing interest rate risk or credit risk for these investment pools.

The following table summarizes the assets and liabilities of FMPP for which fair values are determined on a recurring basis as of June 30, 2016 and 2015, respectively:

<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity mutual funds			
Domestic equity funds	\$ 202,193	\$ -	\$ -
Global equity funds	96,113	-	-
Total equity securities	<u>298,306</u>	<u>-</u>	<u>-</u>
Bond Mutual Funds			
Short-Term bond funds	572,509	-	-
Intermediate-term bond funds	148,661	-	-
Total fixed income	<u>721,170</u>	<u>-</u>	<u>-</u>
Due from related parties – investment portion	-	-	1,736,812
Total investments and due from related parties at fair value	<u>\$ 1,019,476</u>	<u>\$ -</u>	<u>\$ 1,736,812</u>
<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity mutual funds			
Domestic equity funds	\$ 218,754	\$ -	\$ -
Global equity funds	99,722	-	-
Total equity securities	<u>318,476</u>	<u>-</u>	<u>-</u>
Bond Mutual Funds			
Short-Term bond funds	537,747	-	-
Intermediate-term bond funds	138,657	-	-
Total fixed income	<u>676,404</u>	<u>-</u>	<u>-</u>
Due from related parties – investment portion	-	-	750,000
Total investments and due from related parties at fair value	<u>\$ 994,880</u>	<u>\$ -</u>	<u>\$ 750,000</u>

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

The following risks apply to FMPP mutual fund and due from related party investments:

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The FMPP investments in mutual funds are subject to interest rate risk. The effective average duration of FMPP investments in bond mutual funds as of June 30, 2016 range from 2.74 years to 6.53 years.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. At June 30, 2016, FMPP held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below:

	<b>Fair Value</b>	<b>AAA/Aaa</b>	<b>AA/Aa</b>	<b>A/Ba</b>	<b>Less than A/Ba or not Rated</b>
<b>Bond Mutual Funds</b>	\$ 721,170	\$ -	\$ 572,509	\$ 148,661	\$ -

**Custodial credit risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, FMPP will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than FMPP and are not registered in FMPP's name. FMPP has not identified any investments falling into this category as of June 30, 2016.

**Concentration of credit risk**

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

<b>June 30, 2016 Investments Type:</b>	<b>Fair Value</b>	<b>Percent of FMPP's Total Investment</b>
Vanguard International Stock Index Fund	\$ 96,113	4%
Vanguard Intermediate Term Bond Index Fund	148,661	5%
Vanguard Short-Term Bond Index Fund	572,509	21%
Vanguard Total Stock Market Index Fund	202,193	7%
Florida State University Foundation	720,406	26%
Florida Special Purpose Investment Account (via University)	1,016,406	37%
	\$ 2,756,288	100%

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

<b>June 30, 2015 Investments Type:</b>	<b>Fair Value</b>	<b>Percent of FMPP's Total Investment</b>
Vanguard International Stock Index Fund	\$ 99,722	6%
Vanguard Intermediate Term Bond Index Fund	138,657	8%
Vanguard Short-Term Bond Index Fund	537,747	31%
Vanguard Total Stock Market Index Fund	218,754	12%
Florida State University Foundation	750,000	43%
	<u>\$ 1,744,880</u>	<u>100%</u>

**Note 4 – Risk Management:**

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

**Note 5 – Related Party Transactions:**

FMPP paid \$868,989 for the year ended June 30, 2016, and \$643,291 for the year ended June 30, 2015, in malpractice insurance premiums and claims bills for our residency programs to the FSUCOM Self Insurance Program. FMPP provided \$6,152,791 in salary and benefit support for the year ended June 30, 2016 and \$9,683,926 for the year ended June 30, 2015 (as restated), to FSUCOM for the reimbursement of compensation costs and payment of other payroll supplements and benefits funded by residency programs, clinical service agreements, or departmental distribution accounts.

As of June 30, 2016 and 2015 (as restated), FMPP owed various amounts to FSUCOM Auxiliaries as follows:

	<b>2016</b>	<b>2015 (as restated)</b>
Accrued Payroll and Related Benefits	\$ 215,517	\$ 488,276
Accrued Compensated Absences	260,278	987,607
Accrued Overhead	168,519	206,242
<b>Total Due to FSU College of Medicine Auxiliary</b>	<u>\$ 644,314</u>	<u>\$ 1,682,125</u>

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



**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 5 – Related Party Transactions:** (Continued)

The following is a summary of the changes in compensated absences of FMPP for years ended June 30, 2016 and 2015:

<b><u>2016</u></b>				
	<b>Balance June 30, 2015 (as restated)</b>	<b>Net Additions</b>	<b>(Net Deletions)</b>	<b>Balance June 30, 2016</b>
Accumulated Compensated Absences	<u>\$ 987,607</u>	<u>\$ 329,221</u>	<u>\$ (1,056,550)</u>	<u>\$260,278</u>
<b><u>2015 (as restated)</u></b>				
	<b>Balance June 30, 2014</b>	<b>Net Additions</b>	<b>(Net Deletions)</b>	<b>Balance June 30, 2015 (as restated)</b>
Accumulated Compensated Absences	<u>\$ 867,770</u>	<u>\$ 512,404</u>	<u>\$ (392,567)</u>	<u>\$ 987,607</u>

As of June 30, 2016 and 2015, the balances above associated with GME programs are reimbursable to FMPP under the affiliation agreement and have also been recorded as “Due from GME Partners” in the accompanying Statements of Net Position.

As previously noted, FMPP has several investments with both FSU and FSU Foundation. For details related to these investments, see Note 3 – Deposits and Investments.

**Note 6 – Distribution of Clinical Service Net Receipts:**

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

**Note 7 – Service Fees:**

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

**FLORIDA MEDICAL PRACTICE PLAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 8 – Prior Period Reclassifications and Adjustment:**

The financial statements for 2015 have been restated to correct compensated absences due to FSU as well as to reclassify cash held in Investments to Cash, and Investments held by the FSU Foundation to Due from Related Parties. The restatement increased net position at June 30, 2016 by \$93,556 and the reclassifications had no effect on net position and were done to conform to the current year reporting format. The effect of these adjustments on the 2015 financial statements is as follows:

	<u>As Originally Presented</u>	<u>As Restated</u>	<u>Difference</u>
Cash	\$ 1,227,211	\$ 1,254,680	\$ 27,469
Investments	1,772,349	994,880	(777,469)
Due from Related Parties (originally included in Accounts Receivable, Net of Allowance)	3,471	753,471	750,000
Due to Auxiliary	1,775,681	1,682,125	(93,556)
Florida State University Salary Support	9,777,482	9,683,926	(93,556)
Unrestricted Net Position	1,489,690	1,583,246	93,556

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Florida Practice Plan, Inc. (FMPP), a component unit of the Florida State University, for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise FMPP's basic financial statements, and have issued our report thereon dated October 11, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered FMPP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FMPP's internal control. Accordingly, we do not express an opinion on the effectiveness of FMPP's internal control.

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

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

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

As part of obtaining reasonable assurance about whether FMPP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FMPP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FMPP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

October 11, 2016  
Tallahassee, Florida

October 11, 2016

To the Audit Committee of the Board of Directors  
Florida Medical Practice Plan, Inc.:

We have audited the financial statements of the Florida Medical Practice Plan, Inc. ("FMPP") as of and for the year ended June 30, 2016, and have issued our report thereon dated October 11, 2016. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 21, 2016, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of FMPP solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

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## **Qualitative Aspects of FMPP's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use of appropriate accounting policies. A summary of the significant accounting policies adopted by FMPP is included in Note 2 to the financial statements. During the year, FMPP implemented GASB Statement No. 72, Fair Value Measurement and Application, which requires FMPP to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. There have been no other changes in significant accounting policies or their application during 2016. No matters have come to our attention that would require us, under professional standards, to inform the audit committee about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the allowance for doubtful accounts is based on management's evaluation of the collectability of accounts receivable. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts and determined that it is reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting FMPP's financial statements relate to revenue recognition and fair value estimates.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes

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of transactions, account balances or disclosures, and the financial statements as a whole. There were no misstatements noted during the year.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no misstatements identified by us as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to FMPP's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated October 11, 2016.

### **Management's Consultations with Other Accountants**

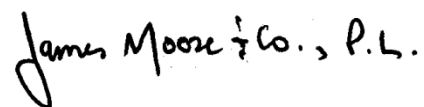
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with FMPP, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as FMPP's auditors.

This report is intended solely for the information and use of the Audit Committee of the Board of Directors and management of FMPP, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, slightly slanted style.

JAMES MOORE & CO., P.L.



October 11, 2016

James Moore & Co., P.L.

Certified Public Accountants

2477 Tim Gamble Place, Suite 200

Tallahassee, FL 32308

This representation letter is provided in connection with your audit of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows of the Florida Medical Practice Plan, Inc.(the Organization) as of June 30, 2016 and 2015 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Organization in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 11, 2016:

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 21, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.




- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no uncorrected misstatements that are material, either individually and in the aggregate, to the financial statements taken as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With respect to the required supplementary information in the accompanying financial statements:
  - We acknowledge our responsibility for the required supplementary information in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.
  - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.
  - The methods of measurement or presentation have not changed from those used in the prior periods.
  - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

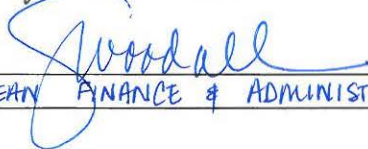
### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Organization's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the Organization is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
- The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

- The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature:   
Title: Chief Financial Officer

Signature:   
Title: ASSOC DEAN FINANCE & ADMINISTRATION